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U.S. Congress. Senate.
Comm. on DC.
Investigation of rental
conditions in D.C.

Dist of Columbia 1

72d Congress 2d Session	SENATE	Report No. 1354

INVESTIGATION OF RENTAL CONDITIONS IN THE DISTRICT OF COLUMBIA

February 28 (calendar day, March 1), 1933.—Ordered to be printed

Mr. Capper, from the Committee on the District of Columbia, submitted the following

REPORT

[Pursuant to S. Res. 248]

The Committee on the District of Columbia, to whom was referred the resolution (S. Res. 248) to investigate rental conditions in the District of Columbia, submits the following report on the investigation, the report being that of a subcommittee appointed to carry out the provisions of the resolution.

HISTORY OF INVESTIGATION

In the early part of 1932, members of the Committee on the District of Columbia received letters in large numbers from District residents, protesting against high rents and urging remedial action for tenants.

Public mention of the subject by the chairman of the committee resulted in the receipt by him and other committee members of hundreds of additional letters and verbal complaints concerning the rent situation.

The chairman instituted a private preliminary inquiry into the matters complained of. Subsequently he reported to the committee that Government statistics supported the tenants' complaints that rents in Washington had not declined as had rents in some other cities, nor did local rents reflect the sharp decline in the prices of practically all other commodities in the Nation's Capital.

These matters were discussed at a meeting of the committee, on June 3, 1932. The committee had before it a report from the Bureau of Labor Statistics, United States Department of Labor. The report showed rents in Washington to be, on the average, higher in 1932 than in 1920, when the wartime housing shortage had not been fully met by new residential construction.

The committee was further informed at that time of the possibility that rents in the District were controlled by a group of real-estate owners and agents.

The committee accordingly adopted a resolution which directed the chairman to bring to the attention of the Attorney General of the United States the charge that a rent-profiteering combine was in existence in the District.

The committee resolution read as follows:

Whereas it has been brought to the attention of the committee that a combine between property owners and agents exists, the effect of which is to maintain an exhorbitant charge for living quarters in the District of Columbia: Therefore be it

Resolved by the Committee on the District of Columbia of the United States Senate:

First. That the chairman be instructed to bring this charge to the attention of the Department of Justice;

Second. That it is the sense of the committee that rental properties, apartments, and hotels are affected with a public interest. This policy was formulated into law in 1919 and it may well be that the prevailing economic conditions justify a revival of the Rent Commission;

Third. That the chairman is directed to present the views of the committee to the District of Columbia public and, if need be, to have formulated such legislation as will effectively overcome the evil of overcharges, should they be shown to exist.

Adopted by the committee June 2, 1932.

A true copy.

James Ring, *Assistant Clerk.*

On June 17, 1932, the committee again met to receive advices that the Attorney General had ordered the prosecution of an inquiry into the allegation of a rental combine in restraint of trade, through the division of the Department of Justice entrusted with enforcement of the antitrust law.

The committee also heard a statement by Mr. J. F. M. Bowie, then president of the Washington Real Estate Board. Mr. Bowie presented views concerning prevailing real-estate policies and practices, and expressed the belief that rents were being reduced in accordance with the law of supply and demand. This opinion disagreed with numerous complaints before the committee of recent increases in rents.

The committee again met on June 21. Despite frequent public statements by committee members, urging on landlords the necessity for relief to tenants through voluntary rent reductions, the committee was given no assurance by owners or agents that a general rent reduction would be made.

The committee was impressed by the imperative nature of the public demand for lower rents. Private employers already had reduced the wages of thousands of workers, and a reduction in the pay of Government employees was imminent.

The committee thereupon authorized the chairman to introduce a resolution which would direct the committee or a subcommittee thereof to investigate local conditions affecting rents. The resolution was introduced on the same afternoon, and was agreed to by the Senate within the week. The resolution is herewith reproduced:

[S. Res. 248, Seventy-second Congress, first session]

Whereas, despite a precipitate decline in the prices of practically all commodities throughout the United States and within the District of Columbia, there has been no appreciable decrease in rents in the District of Columbia; and

Whereas, although the incomes of thousands of District residents have been seriously impaired through the present economic condition, the public of the District is paying high rents based upon inflated and fictitious values of rental properties; and

Whereas the Committee on the District of Columbia, in considering the rental situation in the District, has received charges to the effect that rents are being artificially maintained at a high level, and that, in numerous cases, rents have recently been increased, while wages of employees of apartment houses have been reduced; and

Whereas the Committee on the District of Columbia believes the health and general welfare of the people of the said District to be imperiled by the exorbitant demands of landlords, and believes also that an investigation of rental and related conditions in the said District is necessary to furnish the Senate with information to serve as a basis for such legislation as may be deemed requisite to protect the health and welfare of the public of the District: Therefore be it

Resolved, That the Committee on the District of Columbia or a duly authorized subcommittee thereof, be directed to investigate any and all conditions affecting rentals and rental properties in the District.

The committee or subcommittee shall make every effort to ascertain the facts as to the rental conditions in the District of Columbia, as to vacancies, rents, construction, and any and all other matters pertinent to the inquiry, including financing of apartment houses and dwelling houses for sale or rent in the said District. The committee or subcommittee, upon discovering in the course of its inquiry evidence of any criminal action, shall promptly communicate such evidence to the proper authorities for prosecution.

The committee or subcommittee shall make a final report of its investigation, with recommendations, to the Senate not later than December 15, 1932. For the purposes of this resolution the committee or subcommittee is authorized to avail itself of the services of all agencies of the Federal and District Governments in the District of Columbia; to hold hearings and to sit and act at such times and places as it deems advisable; to employ such assistance as it deems necessary; to require by subpœna or otherwise the attendance of witnesses and the production of books, papers, and documents; to administer oaths and to take testimony; and to make expenditures to be paid from the contingent fund of the Senate upon vouchers approved by the chairman of the committee or subcommittee. The total of such expenditures shall not exceed $2,500.

Acting under its terms, the chairman appointed the following subcommittee to conduct the inquiry:

Mr. Capper, chairman; Mr. Blaine, Mr. Kean, Mr. King, and Mr. Copeland.

The subcommittee selected as counsel Mr. O. H. Brinkman to assist in assembling facts pertinent to the investigation. Mr. Brinkman, a practicing attorney in the District of Columbia, was formerly assistant clerk of the committee, and was counsel for the insurance and banks subcommittee thereof in the real estate and securities investigation successfully prosecuted in the Seventy-first Congress.

The subcommittee, through its own action and through counsel, drew upon numerous public and private sources of information for factual material. Numerous meetings and public hearings have been held in the past six months. The printed record of the hearings contains a great quantity of valuable and current data on existing real-estate conditions in the District of Columbia.

In order to study the vast amount of information developed through the investigation, and thereby to present to the Senate an ordered and complete picture of rental and related conditions in the Nation's Capital, the subcommittee required a period beyond the date set in the original resolution for a report to the Senate.

The subcommittee has reason to feel that in part, due to the efforts of its counsel, the investigation has achieved its principal object—that of giving to the Senate an accurate and painstakingly complete

report of the rent situation in Washington, on which are based the recommendations of the subcommittee for legislative action.

It should be noted that the committee requested an appropriation of $5,000 to carry on this inquiry. As agreed to by the Senate, the resolution provided a fund of $2,500. Of this amount, the subcommittee has returned an unexpended balance of $578.15.

FINDINGS

As a result of the investigation, the subcommittee presents the following as its findings of fact, and submits that the same are justified by the data obtained and presented in the record of the hearings.

1. That the inquiry has had a salutary moral effect on the rental situation. Shortly after the inception of the inquiry, the subcommittee received a number of authenticated reports that rental agents had instituted reductions in the monthly charges to their tenants. Several agents offered reductions amounting to $2.50 a month, contingent on the signing of a new lease to run 15 months. Later, more substantial reductions in many instances were reported, in some cases amounting to 10 per cent and more.

Information gathered by counsel for the subcommittee and by the statistician for the Washington Real Estate Board indicates that a perceptible decline in rent levels in Washington began in the summer of 1932 and continued into the winter months.

The extent of the reductions is problematical. Mr. Rufus S. Lusk, author of a statistical survey of rents for the Washington Real Estate Board, has reported reductions for 1932, up to December 1, of 6.7 per cent.

This estimate is based on a survey of several hundreds of apartment properties, representing approximately 25 per cent of the 38,000 apartment units in the District.

While the subcommittee does not accept Mr. Lusk's figure as conclusive, it is believed that 6.7 per cent represents the approximate reduction in apartment rents during the past year.

The counsel for the subcommittee, reporting on rent reductions up to October 1, 1932, stated that tenants of hundreds of rental properties had benefited, through lowered rents, since last June, to the extent of $700,000, while a conservative estimate of reductions for the entire list of rental properties would show a total of $1,500,000 or more.

It is significant that rents in Washington started visibly downward since the subcommittee began its inquiry.

The Bureau of Labor Statistics reported a decrease in Washington rents from June, 1929, to June, 1932, of only 2.6 per cent, while Baltimore rents dropped 8.3 per cent; Kansas City, 10.7; Minneapolis, 10.7; Philadelphia, 16.4; and Seattle, 17.8. (Hearings, pt. 3, p. 386.)

House rents in the District have been less responsive to the demand for reductions.

Additional figures furnished by the Bureau of Labor Statistics, which appear in the printed record of the hearings (Hearings, pt. 3, pp. 383–404), indicate a house rent reduction in the District of approximately 12 cents per room per year during the past two years.

An independent survey was made by the Tenants' League of this city of a low-rent area, running from North Capitol to Fifth Streets NW., and from F to K Streets NW. The complete report appears in the printed record of the hearings (Hearings, pt. 3, pp. 616–618).

The league's investigators visited 160 homes in the prescribed area.

They found rents only 1.97 per cent lower than a year ago; that the average wage of persons occupying these homes had been cut 30.8 per cent in the past year; that these persons, with an average monthly wage of $10.86, were paying out more than half their wages in rent.

They found that tenants were keeping their homes only by taking in roomers and "doubling up"—a practice which will receive further mention in this report.

Another independent inquiry into rent conditions was made by Columbia Lodge No. 174, International Association of Machinists, among its membership of 1,800, employed in the District and vicinity.

The report of the lodge, based on returns of rent questionnaires by members, offers the following information:

Average monthly rent, $45.

Average weekly salary received by renters, $36.

Rent reduction (average) in average apartment of four rooms with modern conveniences, during 1932, from 2 to 5 per cent.

The classes covered in the foregoing studies represent a considerable portion of the population of the District. It will be seen that in the cases of the groups considered therein, rent consumes a great portion of their incomes. This is especially true of the more poorly paid.

On page 277 of the printed record of the hearings (Hearings, pt. 2), the following colloquy occurs:

> Senator COPELAND. * * * In estimating a budget, what do we put rent down for in the budget?
>
> Mr. LUSK (statistician for the Real Estate Board). Between 20 and 25 per cent, I believe.
>
> Senator COPELAND. 25 per cent, is it not?
>
> Mr. LUSK. Yes, sir.
>
> Senator COPELAND. Of course, if you have an employee who has had a reduction of 10 per cent in his income, he must have a corresponding decrease in his rental item in his budget, must he not?
>
> Mr. LUSK. If he does not want to throw his budget out to some extent; yes, sir.

On page 275 of the printed hearings (Hearings, pt. 2), there appears the following:

> The CHAIRMAN. By the way, Mr. Lusk, while we are on this matter of rent reduction, what do you think would be, speaking for the real estate board, a fair reduction all along the line, applying to old-time tenants as well as new ones?
>
> Mr. LUSK. I think the reduction should be equivalent to the reduction in the cost of living. That is the ideal situation; and, according to the Department of Labor, apparently that has taken place. Rents did not go up like other commodities.
>
> The CHAIRMAN. No evidence has been submitted to this committee, so far as the District of Columbia is concerned, which will show that there has been a general reduction in line with the reduction in the cost of living.

The following is found on pages 595–596 of the hearings (Hearings, pt. 3):

> Senator KING. Mr. Bowie, I would like to ask you whether in view of the depreciation in values in Washington, and of course there are depreciations elsewhere, has that depreciation been taken into account this last year or two years in the fixing of rents, which would result in a reduction of rents commensurate with the depreciation?
>
> Mr. BOWIE. No, Senator; the reductions that have been made so far have been forced upon the owners of the property. They have had to reduce in order to rent. The supply and demand has regulated that.

The following statement by Mr. Roger J. Whiteford, attorney for the Washington Real Estate Board, appears on page 423 of the hearings (Hearings, pt. 3):

Mr. Whiteford. * * * It is true we are facing this kind of a condition: People are out of work and you have cut their salaries. Let me put it this way, without trying to be facetious at all: There is no reason why the landlords should help those that had their salaries cut; there is no reason more why the landlord should do this at his expense than the fellow who is selling a cup of coffee to the man that has not enough money to pay for it.

The landlord should be given a fair rate of return on his property, but he can not meet the emergency that exists for these people.

This is not an emergency we had when the rent commission legislation was passed. There was a scarcity of houses in those days. People boosted the price.

To-day there is housing, but the people can not pay for it at the fair value that is bound to be put on it, and if we had a rent commission to fix these rates, we would have difficulty and trouble, but hundreds of these would be raised. What do you care whether the return is high for the property owner when he is renting to men who pay $200, $300, or $400 a month rent?

The following occurs on pages 7 and 8 of the hearings (Hearings, pt. 1):

Senator Copeland. Your idea or definition of your policy is, that if your building is occupied, that building will not have the benefit of any change in rents?

Mr. Bowie. If a building is occupied, Senator, it is occupied because the rates are so low that it is satisfactory to the tenant.

Senator Copeland. Your answer has not been quite responsive. That is your definite policy, is it, that if your building is fully occupied, the tenants occupying that building have no hope of a reduction in rent?

Mr. Bowie. As a matter of public policy, we are not reducing them.

Senator Copeland. I am not talking about public policy; I am talking about your private policy.

Mr. Bowie. No.

Senator Copeland. You would not reduce them?

Mr. Bowie. No.

These brief excerpts from the printed record of the hearings are here reproduced as illustrative of the viewpoint of real-estate operators of Washington concerning rent reductions.

Subsequent to the hearings, however, on January 7, 1933, the board of directors of the Washington Real Estate Board adopted the following resolution, a copy of which was sent to the subcommittee directing the investigation:

Be it resolved by the board of directors of the Washington Real Estate Board, That, in recognition of the reduced income of the renting public of the District of Columbia, it recommends to the members of the board that they cooperate with each other and with the owners of rental properties in the District of Columbia to continue their efforts toward the equalization of rents that apparently may be inconsistent with each other and to reduce the rents as far as may be done consistent with the emergency of the times in recognition of the civic obligation that rests upon every citizen in the District of Columbia.

SUFFERING AMONG TENANT CLASSES

2. The subcommittee finds that, due principally to the economic depression and resulting unemployment, and partly to the failure of rents to decrease to a greater extent, thousands of Washington tenants have suffered and are suffering great hardships, humiliation, and discomfort.

The director of emergency relief for the District, testifying before the subcommittee, stated that from 9,000 to 10,000 families in the Nation's Capital are being helped to pay rent, through public and private agencies. The number of destitute families is increasing, according to this official. The number now being cared for in the manner related above represents approximately 8 per cent of the total number of families in the District.

The director of emergency relief further advised the committee that considerable difficulty is being experienced in finding houses for the needy, at rents not to exceed $25 a month.

In this connection, the witness, Mr. Leroy Halbert, said:

Such houses are available, but the conditions are terrible. We had a family of nine that have been living in a cellar. They had one temporary partition that they put up in there themselves. That was the only division in it.

We have a good many families of five or six living in one room, eating and cooking and sleeping and washing and everything in one room. (Hearings, pt. 2, pp. 200–201.)

The witness stated also that he had estimated 45,000 persons were out of employment in the District.

Records of the municipal court for the year 1932 show that approximately 40,000 landlord and tenant cases were filed, with eviction as the ultimate purpose. This is an increase of about 33 per cent over the number of such cases filed in 1929.

In this connection there was inserted in the record of the hearings the minutes of a meeting of the executive committee of the Washington Real Estate Board, on Friday, September 9, 1932, at 10.30 a. m., as follows:

Present: Messrs. Bowie, Beale, Flather, and Canby.

Absent: Mr. Russell.

Present also at the meeting were Mr. H. G. Smithy and Mr. James McD. Shea.

The president stated that a great many members had informed him it seems to be the practice of two judges in the municipal court to grant judgments in cases of nonpayment of rent, with a stay of execution varying from 3 days to 15 days, Judges Cobb and Mattingly being the most lenient.

The president was instructed to discuss the matter with Roger J. Whiteford, attorney for the board, with a view to having Mr. Whiteford talk informally with the judges of the municipal court.

There being no further business the meeting adjourned.

Respectfully submitted.

S. N. Richards,
Assistant Secretary.

Approved:

J. F. M. Bowie, *President.*

Records of the United States marshal's office show that 8,555 writs of restitution were issued last year, up to November 21, for the purpose of putting tenants on the streets.

In addition to the facts brought before the subcommittee by its counsel, further information was made available by various private organizations, two of which have previously been mentioned in this report.

A third association, the Better Citizens Bureau, gave the subcommittee pertinent evidence regarding conditions among the negro population of the District. The Better Citizens Bureau is a Washington organization, sponsored by colored church organizations of the city, for the purpose of making surveys and assembling facts pertaining to problems of negro citizens of the District.

The testimony of Messrs. Roy A. Ellis, secretary, and J. C. Olden, assistant secretary (Hearings, pt. 1, pp. 59–73), presented a depressing picture of rent conditions in Washington as they affect the low-paid negro population.

Mr. Ellis's testimony covered a survey of inhabited alleys.

Of one of these, known as Navy Place, he said:

Navy Place has about 50 of these alley dwellings. These houses range from four to five rooms, and rent from $10.50 to $13.50 a month.

On the surface, this seems very cheap rent, and it is, but when you consider that these houses have no gas, no electricity, no baths, no running water in the house, and in most cases outdoor lavatories, the whole situation takes on an entirely different aspect.

Of another alley, Mr. Ellis reports:

Dixon Court in southwest affords a very interesting yet vicious state of affairs. A dealer by the name of Quick has established a scheme of renting these alley shacks by the room and collecting the rent each week. A 4-room house is managed in the following manner:

The front room on the first floor rents for $2.50 per week, the rear room on the first floor $2 per week, second floor front $2 per week, and second floor rear $2 per week.

According to the witness, the owner collects $36 each month from a 4-room alley house under the weekly rent plan.

A 10 per cent return on real estate is usually considered a fair margin of profit—

The witness stated—

But I charge most emphatically, Mr. Chairman, that some realty dealers in the city are receiving far greater profits from the colored properties which they manage.

Washington has 29,000 negro families, of whom 21,413 are renters and 7,000 are home owners. This group of citizens does not get equivalent values either in rents or sales in the properties which they occupy.

The District health department records disclose a death rate among the local alley population of a little more than four and one-half times more than the street population of this city.

Mr. Olden, reporting on the bureau's survey of negro apartment renters, charged that rents are increased when an apartment house is changed from a white to a negro tenancy. In some individual cases which he quoted, the witness reported that the increase to negro tenants was as much as 12 per cent.

VACANCIES

3. The testimony of counsel for the subcommittee, representatives of relief and fact-finding organizations, and spokesmen for the Washington Real Estate Board indicates to the subcommittee that tenants, in order to pay rent, are doubling up—that is, two persons, or two families, are sharing expenses by dwelling together in an apartment or dwelling previously occupied by only one. This seems to be particularly true among the poorer people of the city, although it is by no means unknown among those with average incomes.

The practice of doubling up is held by real-estate men and other witnesses to be responsible in great measure for the abnormally high percentage of vacancies in rental properties throughout the District, particularly in apartments.

An estimate furnished by the Metropolitan police department, as the result of a house-to-house canvass in August, 1932, showed 1,530 vacant dwellings and 5,748 vacant apartment units.

A survey made by the Washington Real Estate Board in November, 1931, showed apartment vacancies of 7.8 per cent.

In June, 1932, the board reported on another apartment survey, disclosing that the vacancy rate had risen to 14.667 per cent.

In November, 1932, the survey made by Mr. Lusk showed a vacancy percentage of 17.5 per cent.

The subcommittee is impressed by the fact that in six months preceding December, 1932, rents decreased less than 7 per cent, while the vacancy rate, already double the normal figure, increased 3 per cent.

The subcommittee was repeatedly told by representatives of the Washington Real Estate Board that an increase in the rate of vacancies would naturally force down rents. The board's own statistics would seem to refute this argument.

The statistician for the board informed the subcommittee that rents began to fall in Washington before other commodities, and were still on the decline. He stated that—

According to our figures, since January, 1928, rents have been reduced on the average 10.1 per cent.

This statement is entirely out of line with the figures of the Bureau of Labor Statistics, which show a considerably lower percentage of decrease.

The statistician for the board contended that the Bureau of Labor Statistics reports showed that since 1914 virtually all living costs had increased, but that rents in Washington had not increased to the same extent as other commodities, and, therefore, had not so far to fall. (Hearings, pt. 2, p. 275 et seq.)

It should be recalled, however, that rent profiteering reached such an extent during the war period in Washington that Congress enacted drastic remedial legislation in the form of the Saulsbury resolution (Pub. Res. 31, 65th Cong.; U. S. Stat. L., vol. 40, pt. 1, ch. 90, pp. 593–594) suspending in the District all legal procedures for recovery of possession of real estate during the period of emergency, provided tenants were orderly and paid rent at the agreed rate, regardless of the expiration of leases.

The Saulsbury resolution, while preventing wholesale evictions in the underhoused District during war time and also allaying the evils of rent profiteering, was insufficient to cope with the various complex questions of housing regulation.

Congress recognized the need for emergency regulation of rents by creating the District Rent Commission under the act of October 22, 1919 (41 Stat. L. 298), and extending the life of the commission by the acts of August 24, 1921 (42 Stat. L. 200), May 22, 1922 (42 Stat. L. 544), and May 17, 1924 (43 Stat. L. 120). The commission expired on May 22, 1925.

These various enactments are evidence of the belief by Congress that rents were sufficiently above the normal level to justify extraordinary legislative action.

PROFITS FROM RENTAL OPERATIONS

4. The subcommittee finds that rental operations in the District are, in general, profitable.

Testimony given before the subcommittee indicates that the greatest profits are derived from operation of apartments and old dwellings, which latter classification includes, notably, alley dwellings.

The Washington Real Estate Board presented figures on 244 apartment buildings, showing a net return of 4.6 to the owner on the assessed value, after deducting the cost of taxes, fuel, salaries, current, insurance, repairs, miscellaneous expenses, and depreciation. (Hearings, pt. 3, p. 441 et seq.)

In arriving at the net return, the board used as a basis the assessed value of the property. The District assessor testified that in recent years assessments of apartment properties have been equal to from six to seven times the gross rentals of the properties. This relationship exists because sales of apartment houses are based on a multiple of the gross rentals, and such sales are an important factor in arriving at the assessed value.

Counsel for the subcommittee contended that the assessed value should not be used as a base for a fair return on apartment properties. His view is presented in the following excerpt from the hearings (hearings, pt. 3, p. 537):

Mr. WHITEFORD. * * * There are many buildings with small trusts. If they should get in trouble and be foreclosed, the one standard that will work all the time is the fair value of the property. That works all the time, no matter what the investment is, no matter what the mortgages may be, but you can not fix rents on the basis of what somebody happens to buy it for.

Mr. BRINKMAN. What is that fair value?

Mr. WHITEFORD. I do not know. I am not an expert like you.

The CHAIRMAN. It is very questionable, yet you can arrive at it.

Mr. WHITEFORD. Mr. Richards (District assessor) said to me he would like to know what standard of value you can use. Your bank stock has no value. Your newspapers have no value. The buildings have no value, because the public has no confidence. Then what?

Mr. BRINKMAN. The only fair standard of value was upheld by the Supreme Court of the United States—the cost of reproducing, less depreciation. Those people were willing to accept that when things were going up. If the building cost them $500,000 a year ago and it cost more to reproduce it, they want the rate of return on the higher cost of reproduction; but now it is falling, they do not want to observe that rule.

It will be observed that the statistician for the Washington Real Estate Board, in computing the net return on the assessed value, provided for a deduction for depreciation, amounting to 2½ per cent on the value.

Counsel for the subcommittee held that, on the assessment basis of computation, the deduction for depreciation was improper, inasmuch as the owners of rental property do not set up a depreciation reserve but spend such money as might be laid aside for this purpose. This statement was confirmed by the assessor. (Hearings, pt. 3, p. 453.)

For assessment purposes, the assessor allows 2½ per cent for depreciation on apartment buildings.

As a general proposition—

He told the subcommittee—

the life of an apartment house, to make money out of it, would end at 40 years. (Hearings, pt. 3, p. 453.)

In response to a question by Senator King, the assessor stated that apartment houses constructed within the past three or four years, by reason of new equipment and other inducements to renters, have rendered older buildings of the same nature obsolescent. (Hearings, pt. 3, p. 452.)

On the other hand, counsel for the subcommittee presented ample evidence that rental properties constructed in Washington many years ago—in one instance, a row of houses half a century old—do not reflect depreciation in assessments, net profits, or reduced rent schedules.

The printed record of the hearings contains a lengthy list of apartment buildings and the rents charged therein for typical apartment units for the year 1916 and for 1932. Rents during the past year are shown by this list to be considerably higher than those charged in 1916, when the buildings were in far better condition to compete with new structures. (Hearings, pt. 3, pp. 546–548.)

A number of houses in southeast Washington, built about 50 years ago, which originally rented for $15.50 a month each, were being rented for $42.50 a month each in November, 1932. (Hearings, pt. 3, p. 549, et seq.)

In connection with profits on apartment buildings, the opposing views on the net rate of return were developed with considerable clarity through the introduction for the record of a chart prepared by Mr. Rufus S. Lusk, statistician for the Washington Real Estate Board, entitled "The Rent Payer's Dollar," which is reproduced on page 446 of the printed record of the hearings. (Pt. 3.)

This chart was based on statistics from 244 apartment buildings having an aggregate assessed value of $42,000,000—more than one-fourth of all local apartment properties.

The chart shows maintenance costs of 66.2 per cent and net after maintenance costs, of 33.8 per cent.

Maintenance costs are divided as follows:

Taxes, 12.5 per cent.
Fuel, 5.6 per cent.
Salaries, 10.8 per cent.
Current, 2.7 per cent.
Repairs, 7.7 per cent.
Insurance, 1.3 per cent.
Miscellaneous, 11 per cent.
Depreciation, 14.6 per cent.

Net after maintenance is divided as follows:

Interest at 6 per cent on mortgage for 60 per cent of assessed value, 26.2 per cent.

Net after maintenance and interest, 7.6 per cent.

These percentages refer to the fractional parts of the dollar expended by the rent payer, and not to percentages previously mentioned herein in relation to assessed value.

For instance, the chart shows that 14.6 per cent of the rent payer's dollar is credited to depreciation, while the statisticians' deduction for depreciation in computing net return on assessed value is 2.5 per cent of the assessment.

The item of miscellaneous expenses includes commission to the rental agent.

From the 33.8 per cent remaining after maintenance costs are paid, 26.2 per cent is set aside for interest at 6 per cent on a mortgage on 60 per cent of the assessed value. Concerning this item, Mr. Lusk said:

Practically every building in Washington is mortgaged. There is plenty of testimony to that effect. Most of those mortgages are for at least 60 per cent

of the assessed value. We have buildings in this report where the mortgages equal the assessed value.

Supposing it is only 60 per cent; his interest on that at 6 per cent is 26.2 per cent of this rent payer's dollar, which leaves the owner 7.6 per cent out of every dollar he collects.

Figuring this on the owner's equity of 40 per cent, after you have charged off the mortgage, it gives him a return of a little less than 3 per cent on these buildings as a whole—2.44. (Hearings, pt. 3, p. 444.)

It was brought out further that the chart was based on a vacancy rate of 15.5 per cent, more than double the normal vacancy. (Hearings, pt. 3, p. 444.)

In analyzing the chart, counsel for the subcommittee made the following statement:

It is a little easier to understand this (chart) if you consider it not as a dollar, but as $100 paid in rent. For every $100 paid in rent you can divide this up and see what happens to the $100. * * *

If you consider it from that standpoint you find that what the landlord actually receives and puts in his pocket after paying all the expenses, such as taxes, fuel, repairs, insurance, electric current, and so on, is $7.60, plus the depreciation charge of $14.60, and that makes $22.20. That is what the landlord receives.

He is supposed to provide for depreciation out of that, but as a matter of fact the testimony shows they do not set up a depreciation fund, so out of every hundred dollars the tenant really pays the landlord, he puts in his pocket, after paying interest on the mortgage for 60 per cent of the value, $22.20, and in the meantime he is operating this apartment and paying its expenses with 15 apartments out of every 100 vacant—more than 15 out of every 100 vacant.

In addition to that $22.20 that the tenant pays to the landlord after all expenses are paid, he pays $5 of every $100 to the landlord's agent, the real-estate agent, so that really when the tenant pays $100 in rent he is paying more than $27 to the landlord and his agent, plus all the expenses of running that apartment, and plus the expense of paying interest on the mortgage. I think that ought to be made clear in the record.

The CHAIRMAN. You mentioned the figure of $22.50. Where did you get that?

Mr. BRINKMAN. That is the addition of depreciation of $14.60 for every $100 received in rent, and the figure shown by Mr. Lusk of $7.60 net income, after maintenance and interest, because the fact is, and it has not been controverted, the landlords do not set up any depreciation reserve. They actually put that money in their pockets.

Senator KING. Nevertheless, the depreciation is there.

Mr. BRINKMAN. They have not figured depreciation in arriving at actual income. They have taken assessed value, while we have shown the properties are not worth anywhere near the assessed value because of depreciation in value. There is an amount of $26 of the $100 paid by the tenant that is paid as interest on the first mortgage. For every $100 the tenant pays in rent he has to pay $26 for the interest on the mortgage. (Hearings, pt 3, pp. 573–574.)

In presenting a summary of his survey, Mr. Lusk said:

The detailed earnings for 229 of these buildings for which we have figures for 1932 show that 18 of them operated at a loss, 11 of them earned less than 1 per cent, 17 of them earned between 1 and 2 per cent, 25 of them earned between 2 and 3 per cent, 34 of them earned between 3 and 4 per cent, 43 of them earned between 4 and 5 per cent, 39 of them earned between 5 and 6 per cent, 22 of them earned between 6 and 7 per cent, and 38 earned 7 per cent and above. (Hearings, pt. 3, p. 270.)

Members of the subcommittee, in examining the tabulations submitted by Mr. Lusk, found several returns of from 7 to 11.6 per cent on assessed values, after deduction of all operating costs, taxes, and 2½ per cent depreciation.

Counsel for the subcommittee, referring to the Lusk tabulations, pointed out to the subcommittee numerous instances in which apartment houses, despite abnormal percentages of vacancies and deductions of extraordinary expenses, showed net returns in excess of 6 per cent on the assessed values. (Hearings, pt. 3, p. 531, et seq.)

FINANCING OF RENTAL PROPERTIES

5. The printed record of the hearings is replete with testimony from all sources that Washington real estate is still suffering to some extent from the era of high financing of rental properties.

The hearings revealed numerous instances of apartment properties mortgaged considerably in excess of their assessed value.

On page 540 of the printed hearings (hearings, pt. 3), there appears a list of 11 valuable apartment properties, nine of which are encumbered in excess of their assessed values. The encumberances on the remaining two apartments are considerably in excess of the 60 per cent mortgage margin heretofore mentioned.

On pages 541–543 of the printed hearings (hearings, pt. 3), there are listed 104 foreclosure sales of apartment properties made in the past two years by two leading Washington auctioneers. In the vast majority of these sales, the property was bought for considerably less than the assessed value.

It was brought to the attention of the subcommittee that in some instances real-estate agents are also loan agents, and on making a loan on apartment properties require the borrower to agree to a deed of trust wherein it is provided that the loan agent shall act also as rental agent for the property, with authority to collect rents and determine all matters of management policy.

Two clauses from such a trust deed were read into the record of the hearings. (Hearings, pt. 3, p. 509.) They are as follows:

It is hereby agreed between the parties hereto that so long as any part of the principal of the debt hereby secured remains unpaid, the H. L. Rust Co. shall act as agent for the collection of rents from the property hereinafter described and hereby conveyed, and also shall have the management and the right of determining all matters of policy in connection with said management, and for such services shall reserve to itself a commission of 5 per cent of the gross amount of rents collected.

That upon any and every such default of money as aforesaid, the said party hereto of the second part, or the trustee, acting in the execution of this trust, shall have the power, and it shall be his duty thereafter to sell, and in case of any default of any purchaser to resell, at public auction, upon such terms and conditions, in such parcels, at such time and place, and after such previous public advertisement as the party of the second part, or the trustee acting in the execution of this trust, shall deem advantageous and proper * * *.

It will be noted that the first paragraph enables the loan agent to obtain a management contract with the borrower, and to collect for his services 5 per cent of the gross amount of rents collected.

The second paragraph gives the loan agent power to sell the property at public auction in event of any default, and conveys wide discretion as to prior advertisement of the sale.

On page 517 of the hearings (hearings, pt. 3), the counsel for the subcommittee read into the record another form of agreement between a borrower and a real-estate agency, which is a member of the Washington Real Estate Board. It affects property known as the Lombardy Apartments. The clause by which this is done is found in an agreement filed in the offices of the recorder of deeds of the District of Columbia, liber 6362, folio 179, reading as follows:

Thomas J. Fisher Co., agents, are to rent and manage said property. The same is to cease and determine in event of a bona fide sale of said property, and upon payment of 2 per cent commission on the rent for the balance of the term of said first trust.

In other words, if the owner of that property sells it, in the meantime the new owner would be bound to pay some other rental agent, assuming that he had an agent, 5 per cent, and 2 per cent to Fisher Co., even though Fisher Co. was rendering no service. In other words $7 out of every $100 rent collected would be paid to the rental agents, although one would be performing no service.

A list submitted for the record by counsel for the subcommittee showed that 23 firms, members of the Washington Real Estate Board, control 17,816 apartment units and houses.

Five of these firms control, according to the list, 7,641 apartment units and 2,350 houses, a total of almost 10,000 dwellings. The list appears on page 507, in part 3 of the hearings.

The firms thus mentioned, H. L. Rust Co., B. F. Saul Co., H. G. Smithy Co., Thomas J. Fisher Co., and Randall H. Hagner & Co., are prominent not only in the field of rental management but in real estate finance.

Counsel for the subcommittee gave further information as to the source of money for apartment loans, as follows:

Senator KING. In your investigation, have you discovered the principal source of money for these apartment houses in Washington?

Mr. BRINKMAN. The insurance companies, and then there are two firms here that sell notes, the Rust Co. and Saul Co. They buy large issues of notes, mortgages, and then they parcel them out and sell them. Formerly that was done by Swartzell, Rheem & Hensey——

Senator KING. Which insurance company is the principal loaner?

Mr. BRINKMAN. I would not want to say. I did not investigate that.

Senator KING. If you did not investigate it, do not discuss it.

Mr. BRINKMAN. Maybe the Metropolitan, or the New York Life. There are four principal ones operating here—the Metropolitan, the New York Life, the Prudential, and another one that I do not recall just now. (Hearings, pt. 3, p. 560.)

There was considerable testimony relative to the prevalent practice of money lenders to demand curtailments on first-trust loans on rental properties. Mr. Charles D. Sager, owner, builder, and operator of rental property, testifying in connection with his apartment property at 120 C Street NE., offers a case in point.

Mr. BRINKMAN. What happens to your income from this building? Your own statement shows $10,000.

Mr. SAGER. I pay $6,000 curtail on the first trust.

Mr. BRINKMAN. Who holds the first trust?

Mr. SAGER. The New York Life Insurance Co.

Mr. BRINKMAN. Who is the agent?

Mr. SAGER. Randall Hagner. I think that is a point that should be borne in mind in the apartment house proposition, that has not seemed to come out in this hearing. I do not think 2 per cent of the apartments now that are not subject to curtail on the first trust—that makes it more difficult to the owner to meet his expenses—they have to have a curtail.

Mr. BRINKMAN. Did they state why they had to have a curtail? Here is a real profitable building. Why did they want to have that curtail?

Mr SAGER. It seems to be a general practice now. (Hearings, pt. 3, p. 440.)

Information was brought to the attention of the subcommittee, apart from testimony offered at the hearings, that the practice of demanding first trust curtailments is not limited to apartment properties. There are in the files of the subcommittee scores of letters from purchasers of small homes, who report that they have been confronted with such demands at the time of renewal of the first trust.

The majority of first-trust loans on homes in the District run for three years, when they are subject to renewal. Renewal of the loan

entails on the borrower the necessity of paying the loan agent a commission, which is over and above the interest charge on the loan. Delinquency in an interest payment, or inability to meet the agent's requirements for curtailment and renewal commission, often means summary foreclosure, with resultant loss of the purchaser's equity in the property. In the District of Columbia no redemption period in foreclosure proceedings is provided.

An article from the Washington Evening Star of November 30, 1932, inserted in the record of the hearings (Hearings, pt. 3, pp. 512–513), states that "hundreds of small-home mortgagees in distress were reported to-day to be appealing to the Federal Home Loan Bank Board for direct relief." These people, the article declares, charged that "they are being harassed by home-financing institutions in the District and in near-by Maryland and Virginia."

Counsel for the subcommittee reported that during the early part of 1932 the B. F. Saul Co., one of the largest loan agencies in the city, raised its interest rate on first-mortgage loans from 6 per cent to 6½ per cent, causing hardships to mortgagees.

Counsel for the Washington Real Estate Board said:

There is a simple answer to that. The Saul Co. has to sell its notes, and you can not get people to invest, you can not get people to buy notes to-day. We can not do any building for that reason. We can not get any loans.

Money is not inherent in Saul's office or Rust's office. They have to sell the notes. In order to sell the notes they have to induce people to take money out of the old shoe or the safety deposit box, and they raise the interest rate in order to get people to buy some more notes, get money, and that is the answer.

It is not a matter of the Saul Co. making any more out of it, because the minute they buy the notes those people get the 6½ per cent interest. It may be, you say, that is a hardship on the borrower. It is either that or no money at all, because people will not invest in real-estate notes. You have to induce them to do it by giving them a higher rate of interest. (Hearings, pt. 3, p. 594.)

Mr. Whiteford also said:

There are two kinds of loans in a real-estate office. One is the building loan and the other the loan made on completed property, and made principally by the insurance companies in the District of Columbia in the last two years. (Hearings, pt. 3, p. 589.)

Counsel for the subcommittee, testifying as to his inquiry into the sources of real-estate loans, said:

The loan funds were almost entirely in the hands of members of the Real Estate Board. We find, for instance, in the Real Estate Board six very large banks and building and loan associations—two of the largest, I think—and the loan agents of the large insurance companies, which are the principal sources of funds for mortgage loans. So in that group was the concentrated power of lending money and refusing to lend any. (Hearings, pt. 3, p. 611.)

Mr. Fulton R. Gordon, real estate operator and land developer, testified that he obtained 6 per cent interest on certain second trust loans, but that he bought the notes at a discount of 20 per cent. (Hearings, pt. 1, p. 38.)

He complained of the interest and commission rates he was called upon to pay. The following excerpt from the record presents his view:

Senator KING. What interest do you have to pay?

Mr. GORDON. Six per cent and 6½ per cent and commissions for renewals from 1 per cent to 5 per cent. It is an outrage.

Senator KING. Is not that against the usury law?

Mr. GORDON. I expect it is. What are you going to do? If you kick, they will take the house away from you and put you in a worse hole.

Senator KING. I think that is a matter we should look into. Many of these people that loan money avoid usury by charging extortionate commissions, * * * I think a man who violates the law when we have a law fixing the rate of interest at 6 per cent * * * by charging 3, 4, or 5 per cent for commission——

Mr. GORDON. It is being done.

Senator KING. —ought to be dealt with. We ought to have a statute if there is not one that will reach that.

Mr. GORDON. The first-mortgage people, I think, are hurting the market.

Senator KING. Who usually loans the money on these first mortgages; banks or investment companies?

Mr. GORDON. Mostly mortgage companies.

Senator KING. With their headquarters here in the District?

Mr. GORDON. Yes; many of them have representatives here.

Senator KING. Who are some of those companies?

Mr. GORDON. Well, Senator, it would hurt me if I would give it to you. * * * (Hearings, pt. 1, p. 47.)

Further testimony regarding discounts of mortgage notes was given by James P. Schick, president of the National Mortgage and Investment Corporation. (Hearings, pt. 1, pp. 122–123):

Mr. BRINKMAN. Is this organization, the National Mortgage & Investment Co., an organization that buys notes?

Mr. SCHICK. Yes.

Mr. BRINKMAN. First and second mortgage notes?

Mr. SCHICK. Yes; first and second mortgage notes.

Mr. BRINKMAN. And third?

Mr. SCHICK. No; just second.

Mr. BRINKMAN. At what discount do you usually buy your second mortgages?

Mr. SCHICK. That depends on the length of time the note is to run and the security offered.

Mr. BRINKMAN. Suppose a note has three years to run?

Mr. SCHICK. How is it secured?

Mr. BRINKMAN. I do not know. What discount do you charge on a second-mortgage note ordinarily?

Mr. SCHICK. The discount will run anywhere from 1 to 2 per cent up to 5 per cent a year.

Senator COPELAND. How much did you say?

Mr. SCHICK. From 1 to 5 per cent, depending on the value of the security.

Mr. BRINKMAN. What would be the rate of interest to be paid?

Mr. SCHICK. I assume it is 6 per cent. We buy the note as it exists.

Mr. BRINKMAN. So if you bought a note having a safe value of $5,000, having three years to run, you might invest in it $4,250 if you discounted it at 5 per cent?

Mr. SCHICK. Yes; 5 per cent per year, and I would say——

Senator COPELAND. Just a moment. Five per cent per year?

Mr. SCHICK. Yes.

Senator COPELAND. What do you mean by that? If it runs for three years it would be 15 per cent?

Mr. SCHICK. Yes.

Senator COPELAND. You would buy the note then for its face less 15 per cent?

Mr. SCHICK. Yes.

Senator COPELAND. Then you would collect the 6 per cent interest upon the face of the note?

Mr. SCHICK. Yes; and assume all the perils of that kind of security at the same time.

Mr. BRINKMAN. So you would have a flat rate, we will say, of 11 per cent per year plus the excess of 6 per cent on the money that you did not actually invest in the note—that is, on $750—so the actual return you would receive would be perhaps 14 or 15 per cent?

Mr. SCHICK. It is the same thing as buying bonds of the Government at less than face value.

Mr. BRINKMAN. Do you buy from builders?

Mr. SCHICK. Yes; we buy from builders.

Mr. BRINKMAN. Do they sell them directly to you or some one in your employ?

Mr. SCHICK. They sell directly to the company.

Mr. BRINKMAN. Was your company recently involved in a lawsuit in the Court of Appeals of the District of Columbia?

Mr. SCHICK. There was some litigation in the court of appeals; yes.

Mr. BRINKMAN. In that case did the court of appeals hold that your company was engaged in a usurious transaction?

Mr. SCHICK. It intimated there was usury in that transaction, but that was many years ago when the company was operated by an entirely different administration and group of men than it is to-day.

LEASES

6. Counsel for the subcommittee obtained from several leading real-estate firms copies of their forms of leases on apartments, because of numerous complaints about the provisions of such leases on the part of tenants. The lease forms are part of the subcommittee's records, but it was not deemed necessary to reproduce them in the printed hearings.

Mr. Brinkman summarized for the record many of the provisions of these leases. The following is an excerpt from his statement:

Mr. BRINKMAN. A number of the real-estate agents and owners have made an effort to circumvent the exemptions allowed by the law by incorporating in leases which tenants are required to sign, provisions which waive the benefit of all exemptions allowed by law and attempt to give the landlord a chattel mortgage on all household goods, clothing, and other personal property of the tenant.

Some of the leases give unrestricted right of entry to the landlord and authority to detain property of the tenants without legal process.

Many of the leases contain provisions exempting the landlord or his agent from liability for negligence in making or failing to make repairs resulting in injury or damage to tenants or guests. * * *

There are also provisions in the leases relieving the landlord or agent from any liability for the safe-keeping of goods of the tenant placed in apartment-house lockers, even though loss or damage may result from negligence of the janitor or other employees of the apartment house.

In many of the leases are provisions binding the heirs, executors, and administrators of a tenant who dies for rent that may accrue under the lease after death, so that a widow, with children, deprived of support by the death of the bread-winner, may find herself loaded with an obligation that will consume what little estate has been left, though she has vacated the premises * * *.

Other leases relieve the landlord of liability for failure to furnish heat or elevator service, and for loss or damage to the property of the tenant caused by defects in the roof, plumbing, etc.

It is a matter of record in the office of the health officer of the District of Columbia that many tenants of apartment houses are not furnished with sufficient heat and have no adequate redress at law now * * *. (Hearings, pt. 3, pp. 562–563.)

The question of lease provisions was further discussed during the hearings by Mr. Whiteford, attorney for the real estate board, in connection with the service by the United States marshal's office of writs of restitution in eviction cases.

Mr. WHITEFORD. * * * If it (the writ) is served for nonpayment of rent, if there is not a lease, you have got to give the tenant 30 days' notice of the fact that he has not paid his rent * * * If there is a lease, the lease always, so far as I have ever seen or drawn one, waives the 30-day notice for the nonpayment of rent. I do not think it is reasonable that a man should have 30 days' notice. The leases waive them, and you serve a 7-day summons, and that now is returnable in about 10 or 12 days. (Hearings, pt. 3, p. 580).

The question of rent reductions to tenants holding leases was discussed at length in the course of the hearings, as the result of numerous complaints that tenants under lease in a given apartment building were not accorded rent reductions as were new tenants.

Leading real-estate operators testified that they reduced the rents of tenants under lease whenever they put into effect a general reduction in any apartment house. Several of these statements were made under oath. (See hearings, pt. 1, pp. 106, 111, 115, 151.)

In the course of the hearings, J. F. M. Bowie, past president and a leading spokesman for the Real Estate Board, qualified his statement regarding reductions under leases, as illustrated by the following excerpts from the record:

Senator COPELAND. Have you made reductions in spite of the fact that tenants have contracts with you?

Mr. BOWIE. Yes, sir.

Senator COPELAND. You paid no attention to the contract?

Mr. BOWIE. In cases, Senator, when we make these reductions, which we have done in several of these buildings that I have just enumerated, the people have had leases running until the first of next October, and they have been given the benefit of these reductions. We feel, and we know, that it is unfair to offer an apartment that you have vacant and at the same time charge a tenant, who is under lease to you, a higher price.

Senator COPELAND. And you have taken that into consideration?

Mr. BOWIE. We invariably do, Senator. (Hearings, pt. 1, pp. 6–7.)

The following excerpts are from testimony appearing in part 2 of the printed record (pp. 309–311):

Senator COPELAND. If you found, in one of your houses, two identical apartments, one under lease at $100 a month, and the other one where you determined to rent it at $80 or $85, where you established a new schedule, would you give the tenants who were there under lease the same benefit?

Mr. BOWIE. We certainly would, Senator, unless that tenant had had some special consideration, in the beginning—if he had been given some rent free, or something of that kind. * * *

Senator COPELAND. Then I did not use the English language in presenting the matter before?

Mr. BOWIE. What time do you refer to, Senator?

Senator COPELAND. I have asked you and I have asked a dozen other agents, when you make reductions in your houses to new tenants, whether you give the old tenants exactly the same benefits of reduction.

Mr. BOWIE. Yes.

Senator COPELAND. The answer has been "Yes."

Mr. BOWIE. Yes, sir; and I still make that answer.

Senator COPELAND. Now you say that the situation is different if there was a concession made * * *.

In the committee files are numerous letters from tenants charging that rent reductions offered to new tenants have not been extended to older tenants in the same apartment houses.

TAXATION

7. Considerable testimony was taken at the hearings in connection with the problem of taxation. The matter of assessments for the purpose of taxation has been previously alluded to.

In part 2 of the hearings, pages 296 to 299, there is contained a discussion of District real estate taxes and their relation to rents by Mr. Lusk, previously identified as statistician for the Washington Real Estate Board.

The discussion was precipitated by a statement by Senator Copeland, who urged that spokesmen for the real-estate interests state clearly their position as to possible relief to tenants through rent reductions, concluding with the words, "If you want to say, 'We can not make any concession,' say it, and let us be through with it."

Mr. Lusk replied, "Something can be done. * * * It relates to taxes."

He explained that in 1932, 12.5 per cent of the total rents collected was "going for real-estate taxes."

"That means," said Mr. Lusk, "the tenant who pays the taxes pays 12.5 per cent of his rent in taxes. If he pays $50 a month, on the average, he is paying $6.25 in direct District taxes. I am only talking about direct real-estate taxes."

He further stated:

You say that the committee wants to help the Government clerk, which, of course, it does. The Government clerk pays these taxes. The Government employee pays 12½ per cent of his rent for taxes. If rents continue to go down, he will pay more out of each dollar for taxes.

The CHAIRMAN (interposing). He will have more left to pay with if rents come down. He is paying the rent.

Mr. LUSK. Yes; that is correct. The per capita tax in Washington has increased from $13 in 1900 to $69.09 for every man, woman, and child, and the real-estate tax has increased 380 per cent to $41.05 for every man, woman, and child.

In part 3 of the hearings, on pages 449 and 450, appears certain testimony of the District assessor, Mr. William P. Richards, in connection with a survey of apartment-construction costs, rents, taxes, etc., from 1915 to 1929, as follows:

Mr. RICHARDS. We found that the average increase in rents for 1929 over 1915 was 61 per cent.

Senator KEAN. Excuse me right there; I would like to get in the record that those are the increases over 1915.

Mr. RICHARDS. Yes.

Senator KEAN. And the rentals are still very far above 1915?

Mr. RICHARDS. Oh, yes; still far above * * * After making our changes, I compared some 28 of the best apartment houses, which were increased 42 per cent in value, and found the increase 68 per cent. I compared 41 apartments of an average character. We had increased assessments about 30 per cent; the increase in rentals was about 60 per cent.

On the question of tax rates, there is reproduced in the record (pt. 3, p. 462) a portion of a statistical study entitled "Comparative tax rates of 290 cities over 30,000 for 1930," compiled by the Detroit Bureau of Governmental Research. The portion reproduced covers two groups of cities ranging from populations of 300,000 to 500,000 and over.

In the two groups Washington is shown to have the lowest final readjusted tax rate ($15.30) of the 25 cities listed.

CONSTRUCTION COSTS

8. Little requires to be said as to construction costs of rental properties. The hearings disclosed little disagreement over the estimate that building costs have decreased from 25 to 30 per cent in the past few years.

The assessor stated it to be his opinion that a fireproof apartment building can be erected to-day at a cost of between 30 and 35 cents a cubic foot. (Hearings, pt. 3, p. 456.)

The following statement appears in part 3 of the record, on page 518:

Mr. BRINKMAN. In view of the fact that we have commented on the decrease in the cost of building, it might be well just to put in a definite statement on that point, and the figures I now submit are from the bulletin entitled "Wholesale

Prices, September, 1932," issued by the United States Department of Labor, Bureau of Labor Statistics; that shows the index of building-material prices standing at 70½ per cent in September, 1932, as compared with a 100 per cent base in 1926, showing a decline in building-material prices of about 30 per cent since 1926, which also affects the value of practically all apartments built in that period.

Mr. H. E. Doyle, acting head of the Thomas J. Fisher Co. and an expert on real estate valuation and appraisal, testified that apartment building construction costs had come down approximately 25 per cent within the past few years. (Hearings, pt. 1, p. 152.)

Mr. Bowie testified that the cost of construction is "about 30 per cent less, now." (Hearings, pt. 1, p. 17.)

UNLAWFUL COMBINATION

9. As has been earlier indicated in this report, the subcommittee was interested in determining, if possible, the truth or falsity of charges that a "real estate ring" was in existence in the District of Columbia.

Counsel for the subcommittee conducted an inquiry into this phase of the situation, and submitted, at a public hearing, the following statement:

UNLAWFUL COMBINATION

The committee's especial attention is respectfully invited to the minutes and other records of the Washington Real Estate Board, incorporated as a part of the hearings.

These records clearly show, upon even casual examination, confirmed by close study, the existence of a combination unlawful in its nature and purposes and oppressive to home buyers and tenants in the District of Columbia, as well as in suburbs adjacent to the District.

The combination is one that can and should be prosecuted under existing laws, and conviction and imprisonment of the participants is necessary and vital for the protection of the public interests.

The records showing the unlawful combine will be only briefly summarized here. They show that there has been in continuous existence in recent years an effective combination of real estate agents, apartment owners, and loan correspondents of insurance companies, the purpose and effect of which was to:

1. Use concerted effort to prevent rent reductions, or even slight concessions to tenants.
2. Agree upon and fix minimum and excessive scales of commissions for loans upon real estate, including single dwellings and apartment houses containing many residence units.
3. Agree upon and fix minimum and excessive rates of commission upon renewals of mortgages or deeds or trust.
4. Limit, restrain, and unlawfully restrict competition in the renewal or replacement of maturing loans, by forbidding solicitation by letter or otherwise of the borrower by other members of the Washington Real Estate Board.

This restraint went so far as to prohibit the distribution of any printed or written matter with reference to the making of mortgage loans to persons whose loans are about to mature.

In other words, the borrower was practically restricted to the person or agent who had made the original loan, for a renewal; and probably under the same rule of "courtesy"—unwritten, but effective nevertheless—which prevented tenants moving from one building to another unless they secured "releases," this loan-business restriction put the borrowers at the mercy of the lenders. And these lenders had banded together to prevent the enactment of any legislation that would prevent quick foreclosures in the event the borrowers could not or would not meet unreasonable and unjust demands for curtails of loans, increased interest rates, etc.

5. Limited the advertising of members of the board so that they practically could not offer to renew loans without commissions or at lower rates than the minimum established by the board, or for no commission at all.

6. Restrained and restricted the giving of free rent as inducement to tenants to sign leases.
7. Held meetings of agents at which it was agreed that rent reductions and repairs of apartments were not "advisable."
8. Establishment by unpublished or unwritten rule of a "blacklist" of tenants who had leases with other members of the combination who were unwilling to release them so that they might move, even in cases of dire necessity.
9. Continued effort to restrict apartment properties to the control of one agent only, so that there would be no competition between agents who were members of the board in renting apartments in the same building.
10. Agreement and fixing of a "standard" minimum commission of 5 per cent for the collection of rentals and the management of apartment properties, thus limiting and preventing the benefit of competition for management business, which previously had been handled for 3 per cent in many cases.
11. Concerted effort by the Washington Real Estate Board through a governing committee, to influence judges of the municipal court not to extend leniency in eviction cases to tenants who were about to be moved out into the street, without shelter.
12. Attempt to influence newspapers of Washington not to print real-estate advertisements containing such statements as "no agents or brokers need apply."

The effect of this combination and the agreements in restraint of trade and commerce, which were unquestionably violative of the Federal antitrust law was to impose additional and excessive burdens upon tenants and property owners, and to put both classes at the mercy of a small group of real-estate agents and loan correspondents of insurance companies. This group was interested in increasing their profits, regardless of detriment to the public and hardship imposed upon thousands of people.

The members of this unlawful combination were closely associated with the financial institutions of the city and have almost a strangle hold upon the available funds for real-estate financing in the Nation's Capital. The Washington Real Estate Board worked in cooperation with the Operative Builders Association, the District Bankers Association, the Building Owners and Managers Association, and other similar groups in a tie-up so complete that for any member to disregard or violate the rules and restrictions limiting competition might easily result in financial ruin for such individual.

The real-estate interests, working in combination, sought to influence in one way or another the courts, the press, and the legislative branch of the Government of the United States.

Reference has been made elsewhere in the report to the likelihood of other agreements, fixing rents, or otherwise restraining competition. There is substantial basis for such opinion, as shown elsewhere.

The effect upon landlords and tenants of the unlawful combination was to increase expenses. Not only were the owners of apartment houses burdened with excessive financing charges by way of minimum loan commissions and unwarranted renewal charges, but instead of being able to secure the services of a rental agent for 3 per cent of the gross rent, as in the past, they were obliged by concerted action and price-fixing activities of board members to pay 5 per cent commission—an additional expense which was bound to have an influence in curtailing rent reduction.

Furthermore, by the concerted action of the agents, the owners were restricted in efforts to fill up their buildings by offering inducements of free rents for periods of a month or more in order to secure lessees. Owners were also hampered in competing for tenants, by their agents who were members of the Washington Real Estate Board. The evidence shows that the agents refused to accept tenants for the buildings which they managed or controlled, as a "courtesy" to other agents who were members of the board when prospective tenants could not secure releases from the agents of the places where they were living.

This, of course, was injurious not only to tenants but to apartment-house owners.

The minutes of the meeting of the property management committee held in the offices of the Washington Real Estate Board on January 8, 1931, are of particular interest on the question of control of rents.

They show the presence of four of the leading spirits in the organization, who planned a luncheon conference of a large group of rental agents for the next day.

The minutes state:

"After some discussion it was decided that Mr. J. F. M. Bowie (of the Rust Co.) would act as discussion leader at the conference, making a brief statement

about apartment house rentals at the present time and to call on four or five other members to ask them to comment on the condition of the rental situation in their office.

"It was believed by the committee that this discussion would bring forth the fact that vacancies in apartments had been materially reduced and that the situation was very satisfactory."

Accordingly, the next day a much larger group of rental agents met in luncheon conference, that is a group of men controlling a great number of apartments throughout the city.

Mr. J. F. M. Bowie, of the Rust Co., then made the prearranged talk and called upon five other men who controlled a very large group of apartment properties.

The minutes continue:

"The substance of the reports given by these men was that the vacancy situation in apartments had reduced materially and that conditions to-day were such as to make it unnecessary to resort to free rent, unusual repairs, and other practices in order to secure tenants. The consensus of opinion of the members present was that the rental situation was well in hand and that the level of rent was stabilized and that there was little indication that further reduction in rent would be required."

This is as plain an indication as might be expected in the minutes of an organization acting under guidance of experienced business men and shrewd legal counsel, that a practical agreement had been reached not to reduce rents and not to offer tenants inducements in the way of free rent or considerable repairs in order to fill vacancies.

Here was a meeting of ostensible competitors called to consider rents and the result was agreement that rent scales should be maintained.

This is only one instance of several of concerted action against the interest of tenants. (Hearings, pt. 3, p. 494, et seq.)

The minutes and other official records of the real estate board were subpœnaed and produced in the committee room, and extracts therefrom were made part of the record of the hearings. The items excerpted from the board's documents appear in part 2 of the printed hearings, beginning at page 331.

The subcommittee does not believe it necessary to burden this report with a detailed account of the statements and contentions by Mr. Brinkman and Mr. Whiteford concerning the various charges made by the former.

It may be stated, however, that Mr. Brinkman informed the subcommittee that the acts charged to the Washington Real Estate Board, many of which are summarized in the statement entitled "Unlawful Combination," heretofore referred to, were acts in restraint of trade.

He said:

Any combination in restraint of trade or commerce in the District of Columbia is illegal, and can be punished both by fine and imprisonment.

On the question of whether the acts of the members of the Washington Real Estate Board are restraints of trade, there is a decision of the United States Supreme Court of May 23, 1932, that is exactly in point. It is in the case of the Atlantic Cleaners & Dyers *v.* United States of America.

In that case the Department of Justice brought an action against certain cleaners and dyers, operating in the District of Columbia, who had agreed on certain prices for cleaning and dyeing, also for renovating clothes. They had agreed, apparently, to allot to one another the retail dyers and cleaners. They divided the retail establishments among themselves, and they fixed certain prices for the service of cleaning and dyeing.

The case went to the court of appeals here; then to the United States Supreme Court, and the United States Supreme Court decided that that was violative of the section of the antitrust law that I have just read, that there was a combination in restraint of trade.

The foregoing statement appears in part 3 of the record, page 522. On the same page appears section 3 of the antitrust law, and the

opinion of the Supreme Court in the case referred to by Mr. Brinkman is reproduced in full at the conclusion of the statement just quoted.

Mr. Brinkman said further, concerning the decision of the Supreme Court:

The question involved was whether a service performed came within the meaning of "trade" or "commerce"; that is, whether it was necessary to sell something to be "trade"—to sell, for instance, coal or clothing—and the court held that was not true in the District of Columbia, that the mere rendering of the service was engaging in trade, and any combination in restraint of the rendering of a service was a violation of the law.

Therefore, these men and firms in the District who have restrained the trade in making mortgages and lending money on mortgages, are engaging in a business that comes within the meaning of the antitrust law. They are amenable to the law and should be prosecuted. (Hearings, pt. 3, p. 525.)

The chairman asked Mr. Brinkman: "What kind of an agreement have they entered into?"

Mr. Brinkman replied: "As members of the board they are susceptible to all the rules, and those rules included minimum commissions and minimum charges for renting apartments, and agreements not to solicit mortgage borrowers for the renewal of their loans." (Hearings, pt. 3, p. 526.)

In this connection, it should be stated that officials of the real-estate board do not deny that the rules of the board establish rates of commissions on rents, sales, and exchanges, and that members are subject to censure and expulsion for violations.

On page 95, part 1, of the record, there appears the following statement by Mr. Bowie, then president of the board:

We operate under the rules of the Washington Real Estate Board, which fixes the rates of commissions on rents, sales, and exchanges, and we will be very glad to furnish you with a book giving you those rates.

Mr. BRINKMAN. In other words, the real-estate board fixes the rates that are to be charged for that service?

Mr. BOWIE. We have a standard rate of commission, just as every other board in the country has.

Mr. BRINKMAN. Do the members hold to that rate?

Mr. BOWIE. If they do not, they may be censured.

Mr. BRINKMAN. Well, after they are censured, then what happens? If they repeat the offense, are they expelled from the board?

Mr. BOWIE. They might be.

Mr. Whiteford stated to the subcommittee, in discussing the charges of restraint of trade:

* * * So far as this violation of the Sherman Antitrust Law is concerned, if the real estate board of this community, consisting of roughly 140 members out of probably 400 real-estate brokers, or men engaged in the real-estate business in the District of Columbia—if what Mr. Brinkman says is true, then every real-estate board in the United States is in the same difficulty. There are plenty of real-estate boards in every State in the United States, in every large city of any size. All these cities have them. They have a State organization and the national organization. (Hearings, pt. 3, p. 587.)

After relating some of the public services offered by the board, Mr. Whiteford said:

If the board justifies its existence and is trying to keep up a decent, honest institution, it is not the subject of indictment under the Sherman Antitrust Act, and I protest against the recommendation Mr. Brinkman makes in connection with it.

I point this out to you as a legal proposition. I do not see any difference between members of the real estate board saying the rate of commission they charge

on a sale is 5 per cent on the first $100,000 and 3 per cent above that, or 5 per cent for the collection of rent, than the lawyers getting together and saying, "We will charge $5 to write a will, or $100." (Hearings, pt. 3, pp. 587–588.)

Brief summaries of evidence and testimony offered in respect to certain outstanding features of the charges against the Washington Real Estate Board follow:

A. EFFORT TO PREVENT RENT REDUCTIONS OR CONCESSIONS

Minutes of a luncheon conference under auspices of the property management committee of the real estate board, January 9, 1931, show that representatives of B. F. Saul Co., Shannon & Luchs, Bliss Properties, Thomas J. Fisher Co., and H. G. Smithy Co., made addresses on apartment vacancies, etc. Mr. Bowie, of the H. L. Rust Co., was discussion leader. The minutes state:

The substance of the reports given by these men was that the vacancy situation in apartments had bettered materially and that conditions to-day were such as to make it unnecessary to resort to free rent, unusual repairs, and other practices in order to secure tenants.

The consensus of opinion of the members present was that the rental situation was well in hand and that the level of rents were stabilized and that there was little indication that further reductions in rent would be required. (Hearings, pt. 2, p. 368.)

Mr. Whiteford, commenting on the charge of a rent-fixing combine, said:

If you pick up any newspaper, particularly the Saturday evening and Sunday morning newspapers, and see the thousands of dollars of advertising these brokers do to get tenants, that shows you how much competition there is, and Mr. Bowie testified the other day of one test of advertising. He said that it cost $85 apiece to get new tenants, and yet they are paying it out of their own pockets, buying columns of advertising in the newspapers, and yet Mr. Brinkman says this is a conspiracy to keep rents up.

Senator King asked, "Do the brokers pay that advertising out of their commission?"

Mr. Whiteford replied, "Yes, sir; in most instances. That is another way the rent commission is sometimes modified, because the broker will say to you, 'I will handle your property for 3 per cent and you pay the advertising', but ordinarily when it is 5 per cent, the broker pays for it out of his own pocket."

Mr. Brinkman, however, quoted rule 17 of the Real Estate Board, establishing a 5 per cent commission for collection of rents and property management, "except where the gross annual rental of an individual property exceeds $100,000, when in such cases the commission shall be subject to agreement."

Mr. Brinkman quoted also rule 22 of the board, which states that—

Owners of apartment buildings shall pay the salary of the resident managers, all display and special classified advertising and booklets. (Hearings, pt. 3, pp. 582–584.)

B. FREE RENT

In addition to the reference to giving of free rent in the Real Estate Board minutes already referred to, Mr. Brinkman caused to have inserted in the record (Hearings, pt. 3, p. 496) a special notice taken from the board records.

The notice, dated August 6, 1931, was sent out over the name of Russell B. King, chairman, property management committee.

It urged resident managers to bear in mind the board's position on free rent:

No free rent or rebates of rent should be given any tenant unless the same is incorporated in the lease which the tenant signs—

The notice read, in part—

Aside from the fact that this is a board rule, the giving of free rent in actual practice is unnecessary and a poor business policy. Usually such practice doesn't stop at the initial contact with the tenant but invariably is expected by the tenant upon the renewal of each annual lease.

It is hoped that the members of the board will do all in their power to prevent this sort of practice.

Mr. Whiteford replied that the board's opposition to free rent was based on the belief that the practice is "a dishonest proposition."

He stated that there would be no objection if leases signed by tenants showed the actual amount contracted for to be paid in rent. In general, however, Mr. Whiteford said, the leases do not show the reduced basis of rent, thus misleading purchasers of apartment properties. The giving of free rent, he stated, "puts a false value on the property, and it ought not to be done." (Hearings, pt. 3, pp. 575–576.)

C. NONSOLICITATION OF LOAN RENEWALS

Mr. Brinkman read into the record (Hearings, pt. 3, p. 519), paragraph 11, section 5, of the board's code of ethics, which states:

Members shall not solicit property owners by letter or otherwise in connection with maturing loans of an amount less than $25,000 or distribute to them any printed or written matter in reference to making mortgage loans, when other members hold such maturing loans or represent the holders thereof.

Mr. Brinkman charged this to be "a direct and absolute restraint of trade and commerce, in violation of the Federal antitrust laws."

The attempt—

He said—

Is to limit competition and place the borrowers at the mercy of the lenders, so there is no competition in the renewal of their loans.

Mr. Whiteford stated:

So far as my inquiry about that situation developed, I get these facts. There were a lot of instances where 3 or 4 or 5 solicitors of loans would be running to people's houses. They would be there at all hours of the day and night, and there had been a lot of complaints about that. (Hearings, pt. 3, p. 609).

D. RESTRICTIONS AS TO COMMISSIONS AND RENEWAL CHARGES

On page 520, part 3, of the hearings, is printed a special notice sent to all active members of the Washington Real Estate Board, over the name of John A. Petty, then executive secretary, as follows:

The following resolution was adopted by the mortgage and finance division on December 12, 1929:

"Whereas any advertisement of any member offering to negotiate or make mortgage loans or the renewal thereof for no commission or a commission less than the standard schedule of commission rates for loans adopted by the Washington Real Estate Board, is in the judgment of the mortgage and finance division a violation of the code of ethics subscribed by all members: Now, therefore, be it

"*Resolved*, That the mortgage and finance division requests the executive committee of the Washington Real Estate Board to summons before it any member who shall use any such advertisement and proceed to exercise its authority under Article XII of the by-laws in censuring, suspending, or expelling such member."

At the meeting of the executive committee held January 8 this resolution was presented, and I was instructed to send a copy of it to every member of the board with the statement that the executive committee was ready to perform its duty at any time in connection with the subject matter of the resolution.

Mr. Whiteford testified that the object of the resolution was to discourage the advertisements of a real-estate firm which was offering "6 per cent loans without any commission" or renewal charges.

This firm, Mr. Whiteford said, "represented an insurance company" and "got the money at 5½ per cent from the insurance company" but advertised it would make loans at 6 per cent, without any commission.

Now, the commission was one-half per cent spread between what the insurance company was willing to lend the money at and the rate they were charging—

Said Mr. Whiteford.

Over a period of five years, the commission to the real-estate house would be 2½ per cent, which was more commission than the usual and customary commission, and it was a deception. If the insurance company was willing to lend that money at 5½ per cent, that was not the way the advertisement should have read * * *.

This statement led to the following testimony:

Mr. BRINKMAN. The fact is also, is it not, that other firms that objected to the advertisement were loaning this money at 6 per cent and charging an additional commission?

Mr. WHITEFORD. Many of them.

It was a saving to the mortgage borrower if he borrowed on that plan—

Said Mr. Brinkman.

"Yes," said Mr. Whiteford. "And others were loaning money at 5½ per cent and charging a commission." (Hearings, pt. 3, pp. 577–578.)

E. BLACKLISTING OF TENANTS

In part 1 of the hearings, on pages 14, 106, 107, and 115, positive assurances were given by prominent real-estate operators, most of the testimony being given under oath, that there was no understanding or agreement between real-estate operators restricting free competition in securing tenants. In two of these instances, when the question was asked by Senator Copeland, firm denials were made of the existence of a blacklist. One of the witnesses described the attitude of agents in competing for tenants as "dog eat dog."

Counsel for the subcommittee brought before public hearings of the subcommittee four tenants, whose sworn tentimony may be summarized as follows:

1. Kenneth E. Ardinger, 829 Quincy Street: Ardinger testified that he formerly lived at 1020 Monroe Street, renting from Thomas J. Fisher Co. He found it necessary to move because he had lost his employment and was unable to pay the rent at the Monroe Street address. His wife, who also had been employed, likewise had lost her position. He explained his circumstances to the Fisher Co., and asked for a reduction in rent, which was refused. He then stated he would be forced to move, but was told, "We can not release you from your lease."

He went to the B. F. Saul Co., agents for 829 Quincy Street, to rent the apartment where he is now living, but was advised in writing that the Saul Co. could not rent the apartment to him unless he obtained a release from the Fisher Co. Ardinger was under lease to occupy

the Monroe Street address, the lease having three months to run at the time these events took place. Ardinger told the manager of the Quincy Street apartment the result of his negotiations with the Saul Co. The manager advised the owner of the property and explained the difficulty. The owner permitted Ardinger to take the apartment, regardless of the statement of the Saul Co.

In connection with the Ardinger case, a letter was produced for the record, addressed to Ardinger and signed "B. F. Saul Co., George Schultz, Rent Department," which read in part:

We understand that you have a lease on your present apartment which does not expire until September, 1932, and as your present agents, Thos. J. Fisher Co., are members of the Washington Real Estate Board, it will be impossible for us to rent to you until you secure a release from them.

Mr. J. W. Jacobs, executive vice president of the Saul Co., was present when the letter was read into the record. He said he was not familiar with the letter, and "could not answer" whether the letter reflected the policy of his company, as "the rent department handles the matter entirely."

Questioned by Senator King, Mr. Jacobs said:

I think if there was a delinquency in the payment of rent they would hesitate to rent if some other broker said they had not been paying their rent. There is no arrangement so far as I know regarding a lease.

The Chairman, after re-reading the paragraph from the letter above quoted, said: "It is clear from this statement that there is an understanding among the members of the real-estate board."

Mr. Jacobs answered: "It would appear so; yes, sir."

The writer of the letter, George Schultz, a young man employed as clerk in the rent department of the Saul Co., subsequently testified, under oath, that no one had instructed him to write the letter; that it was his duty to check references of prospective tenants; that there was no particular reason for stating in the letter that the Fisher Co. were members of the real-estate board; and that he had discussed the letter with Mr. Jacobs and Mr. Frank Bell, a vice president of the company, after it had been produced before the subcommittee.

Schultz stated further that members of the real estate board and other agents "recognized" the leases of the Saul Co., and the Saul firm reciprocated. He said he had no instructions to recognize leases of members of the real estate board.

The following excerpt from the record, however, indicates that all members of the board recognize the Saul leases:

Senator COPELAND. Are there any members of the real estate board where it makes no difference to you whether there is a lease or not?

Mr. SCHULTZ. Where a member would take one of our tenants; yes.

Senator COPELAND. Are there any such members of the real estate board?

Mr. SCHULTZ. I have not come in contact with any myself, but I understand that there are.

Senator COPELAND. You understand that there are such members?

Mr. SCHULTZ. Not at the present time. I do not know of any, because as I say, in the approximately year and a half that I have been checking them I have not run across one.

Senator COPELAND. Then if the other party is a member of the real estate board, it goes without saying he can not have a lease with you?

Mr. SCHULTZ. No; that is not the case, because we have rented apartments to people who had leases with a real-estate board member.

Senator COPELAND. You have, lately?

Mr. SCHULTZ. Yes.

Mr. BRINKMAN. Without requiring a release?
Mr. SCHULTZ. Where we have rented to them, or where other people have?
Mr. BRINKMAN. Where you have rented to them.
Mr. SCHULTZ. In this particular case we did rent to this man, but outside of that I do not recall.
Mr. BRINKMAN. That was not the general practice? You do not remember any other?
Mr. SCHULTZ. Not that I have rented to; no.
Senator COPELAND. Can you remember any instance where you rented to a party having a lease with a member of the real-estate board?
Mr. SCHULTZ. This particular case right here.
Senator COPELAND. Any other?
Mr. SCHULTZ. I do not recall any.

It will be remembered that in the case under discussion, involving Mr. Ardinger, the owner of the apartment ordered that he be accepted as a tenant, regardless of any understanding between the Fisher Co. and the Saul Co.

2. Miss Ellen M. Kelly, 736 Twenty-second Street, NW.: Miss Kelly testified that she moved to her present address from the Keystone Apartments, 2150 Pennsylvania Avenue, for which the B. F. Saul Co. acts as agent. While in the Keystone, Miss Kelly had an apartment by herself, then moved across the hall to share an apartment with another woman, found conditions unsatisfactory, and moved into another single apartment in the Keystone. The Saul Co. required her to sign a lease for 15 months in order to obtain the apartment.

Three days after signing the lease, Miss Kelly received notice of a 25 per cent wage cut, and found herself unable to keep the apartment at the rent she was paying, $50 a month. She informed the Saul Co. of the necessity for breaking the lease, but was advised by that company "they could absolutely not break the lease and would garnishee my wages." She negotiated with the H. L. Rust Co. for another apartment, but was told by the head of the rent department to get a release from the Saul Co., "because they always had a very good arrangement with Saul which they lived up to."

Miss Kelly stated she sought the assistance of Mr. Jurney, secretary to Senator Copeland, who spoke to the Saul and Rust agencies, and advised Miss Kelly that Saul Co. would release her if she would pay the rent at the Keystone for the month of August. This occurred in the latter part of July or the first part of August. Miss Kelly completed the arrangement, but the Rust Co. had already rented the apartment she had sought.

The relationship of the real estate board to the situation was developed in the following testimony:

Mr. BRINKMAN. Did either one (the Saul or Rust agencies) say anything about the Washington Real Estate Board?
Miss KELLY. Not except when I was trying to get the lease canceled. Mr. Emley (previously identified as being in the Saul Co. rental department) told me they would not rent to me if I broke my lease with any one who was a member of the real estate board, but inasmuch as this man was not a member of the real estate board they would rent it to me.
The CHAIRMAN. Where was this?
Miss KELLY. I was renting out on Wisconsin Avenue, and the management was not very good. I wanted to move, and I was moving into a building at 5130 Connecticut Avenue. He said inasmuch as this man was not a member of the board they would rent to me, and he did rent to me at that time. When I took the apartment this man owned it, but in the meantime it changed owners.

Senator COPELAND. That is to say, when you moved into the Saul building they had knowledge that you had a lease, but because the concern where you were living did not belong to the real estate board it made no difference in that case?
Miss KELLY. Yes.
Senator COPELAND. But when you sought to leave the Saul building to go to the Rust building, that concern being in the real estate board, then they refused to permit it?
Miss KELLY. Yes, sir. That is the reason why I knew I would have trouble, and that is why I was so careful about it.

3. Mrs. Mary L. Lansdale, 1235 Connecticut Avenue: Mrs. Lansdale is a widow, the sole support of two children. She was advised by her physician to move from an apartment on K Street because of insanitary conditions and rented an apartment at 2807 Connecticut Avenue through Thomas J. Fisher Co. Rumors of a Government salary reduction were current at the time, and Mrs. Lansdale told the agents that she would be unable to pay the rent if her pay was reduced. Mr. Shoemaker, resident manager, assured her that if her pay was reduced she would have no difficulty in obtaining a release from her lease.

Mrs. Lansdale stated that when the pay reduction went into effect she reminded the manager of his promise and "he positively refused to do anything about it." The owner of the building likewise refused the release. Mrs. Lansdale was paying $47.50 for a 1-room apartment, she having to maintain her children in a boarding school because of an extended illness. She offered to pay $40, "but they would not accept it, and I went hunting for something less expensive."

Failing in her search, she went back to see the K Street apartment house, "where I heard they were cleaning up." Boss & Phelps were agents for the K Street property. An employee of the rent department of that agency accepted a $5 deposit on the apartment from Mrs. Lansdale, but on learning that the Fisher Co. would not release her, declined to rent to her and returned her deposit.

Mrs. Lansdale then called on the owner of the K Street property, who himself rented her the apartment, saying "he did not care what agreement they had—he wanted his apartments rented."

The testimony in the Ardinger, Kelly, and Lansdale cases will be found in part 2 of the record of hearings, pages 167 to 177.

4. Mrs. Margaret Wrenn, 3711 Benton Street: Mrs. Wrenn formerly lived at 1305 Potomac Street NW., renting through the agency of the J. C. Weedon Co. On returning from her vacation last August, Mrs. Wrenn found an insanitary condition in the Potomac Street apartment, and immediately advised the Weedon Co. of her intention to move. She sent a check for half a month's rent, which the Weedon Co. accepted, and no indication of protest on the part of the agents was made known at that time.

Mrs. Wrenn stated she found the Benton Street apartment, for which Thomas J. Fisher Co. are agents, and arranged to rent it, but was informed by the agents that the Weedon Co. did not care to release her. She called the Weedon Co. and was told she could not be released because she had not given 30 days' notice. Mrs. Wrenn pointed out that the conditions at the apartment house did not warrant the giving of 30 days' notice, and that her check had been accepted without protest and without mention of a 30-day notice.

Mrs. Wrenn thereupon informed the Weedon Co. she intended to bring the case to the attention of counsel for the subcommittee, and

the agent at the Weedon office asked her to communicate again with the Fisher Co. When she did so, Mrs. Wrenn was advised that Weedon Co. had released her.

Immediately after the testimony by Mrs. Wrenn, Senator Copeland asked:

Mr. Brinkman, will you give us the synopsis of this lady's testimony and its significance?

Mr. Brinkman said:

The testimony of the real-estate operators that we examined at previous hearings, and particularly in answer to questions that you asked, Senator Copeland, was that there was no sort of combination among them and particularly there was no such thing as might be called a blacklist on tenants; that is, they were free to move from one apartment to another if they could reduce their expenses or get cheaper rent; that there was a "dog-eat-dog" attitude, as one of them expressed it, between the agents; that they were all in lively competition, and that tenants could get the cheapest rent the market afforded; that apartments rented freely, and without any restriction or combination among the agents. They all vigorously denied that there was any blacklist or ban on tenants who wanted to move from one apartment to another.

The testimony of this witness has been that testimony given by the real estate men under oath is false; that there is in existence an arrangement among members of the Washington Real Estate Board whereby they will not accept as a tenant any person who has a lease with another member of the board; that they refuse to rent such tenants until they secure a release from the other member of the board from whom they have been renting, and that they communicate with each other and have an arrangement, an interoffice arrangement, whereby they effectually bar from the new premises any tenant who has not secured a release from the old agent or landlord.

The testimony further shows that in some cases the owners of the properties have been unwilling to follow that arrangement; that the arrangement is one on the part of the agents probably for the protection of their commissions and that the owners are averse to that arrangement and are willing to rent apartments directly to the people even where their agents had declined to rent to them; that the owners are anxious to fill up their buildings, but the agents are not so anxious and adhere to this agreement among themselves, the agents, for the purpose probably of protecting their commissions.

Testimony in the Wrenn case and the remarks by Mr. Brinkman are contained in Part 2 of the hearings, pages 241 to 243.

Mr. Whiteford, following the examination of Mrs. Wrenn, asked permission to explain the position of the real-estate board. There ensued the following:

The CHAIRMAN. The letter to which you referred, written by B. F. Saul Co. on June 28, is before me. This is the information which the letter contains which to my mind is very pertinent—in this letter signed by B. F. Saul Co.:

"We understand you have a lease on your present apartment which does not expire until September, 1932, and as your present agents, Thomas J. Fisher Co., are members of the Washington Real Estate Board, it will be impossible for us to rent to you until you secure a release from them."

It seems to me that shows very clearly that there is an agreement among the real-estate men who are members of the Washington Real Estate Board.

Mr. WHITEFORD. That is true as stated in the letter, and I will explain it and tell just what that means and what the arrangement is. There is no dispute about the facts about it. Mr. Bowie is present. May he explain? It is credit information that a department store or a bank or anybody else has. (Hearings, pt. 2, p. 244.)

Mr. Charles J. Rush, secretary of the Washington Real Estate Board, testified that a book identified for the record, entitled "Washington Real Estate Board, constitution and by-laws, code of ethics, schedule of commissions, October, 1931," was still in effect. He was asked to examine the book and determine whether it contained any reference to such an arrangement as had been testified to by witnesses. He testified that no such agreement was provided for in the book, and denied that any such agreement existed.

Mr. Whiteford later testified that the real estate board had tried to keep a list of tenants in order to determine who paid his rent and who did not. They kept the list, he said, for about two years, and it did not work out and the records were turned over to the Stone Collection Agency for their information. (Hearings, pt. 3, pp. 580–581).

Mr. Whiteford further stated:

So far as I know and can find out, there is no by-law, resolution, or understanding among the board members of the character set out in that letter (the Saul Co. letter to Ardinger), but I say this, that again I think it is sound judgment on the part of any real-estate office, if they are about to take me as a tenant, to put into your building, to inquire from me where I am renting, whether I am under lease, what my obligation is with respect to that lease and whether I am renting from a board member's office or a nonboard member's office makes no difference. (Hearings, pt. 3, p. 581.)

Mr. Brinkman commented:

The mere existence of that agreement among these real-estate people, which was not in the records of the board, but which was proved, is an indication that there were probably other agreements among them of which we have no record, but which undoubtedly existed. (Hearings, pt. 3. p. 607.)

CONDUCT OF THE INVESTIGATION

10. The subcommittee is of the opinion that the investigation into the conditions affecting rentals in the District may well serve as a model of economy in congressional fact-finding surveys.

The investigation extended over five months. The findings cover every phase of the rental situation specified in the Senate resolution authorizing the inquiry, as well as additional information pertinent to the subject matter of the investigation.

It is to be regretted that some members of the Washington Real Estate Board declined to extend to the counsel for the subcommittee cooperation in presenting facts on rentals and matters related thereto.

On September 9 and November 10, 1932, special hearings of the subcommittee were held, at the request of the counsel, for the purpose of bringing before the subcommittee by subpœna certain leading members of the Washington Real Estate Board who refused or neglected to answer questionnaires regarding rents sent them by the counsel.

It was brought out in the course of these hearings that the Department of Justice, which had instituted an inquiry into the real-estate combine charges, had ceased its investigation when the Senate authorized the subcommittee to inquire into the rent situation.

Members of the real estate board replied variously to questions by Senator Copeland as to their noncompliance with the counsel's requests for information.

Some of the answers were:

Mr. BOWIE. Representing the H. L. Rust Co., I would say, in respect to the questions, that we will answer them to the best of our ability. * * * We reached that decision only yesterday. * * * I think we can begin turning in answers to Mr. Brinkman's questions almost immediately, and I believe that we can not only complete the answers to Mr. Brinkman's questions, but that we can have in your hands the additional information that you want within a month or six weeks. (Hearings, pt. 1, pp. 99 and 101.)

Mr. HAGNER. * * * Unless we are made to, knowing the conditions as well as I do, I do not feel that we are called on to disrupt the workings of our office in the so-called renting season—if we are fortunate enough to have one—to get together a lot of information that, in my opinion, has no bearing on the rent situation and would be very difficult to get. In my opinion, I know it is all unnecessary, unless it is on the question of reducing taxes. (Hearings, pt. 1, p. 107.)

Mr. GEORGE R. LINKINS (in letter to counsel for subcommittee read into record). * * * If you will make up a set of questions which will give the property owners a fair opportunity to present their side of the matter, we will be glad to give you that information, but we do not believe, in fairness to the property owners we represent, that we should furnish the information asked for in your questions, which do not cover the charges of the resolution and do not fairly give the property owners' standpoint. (In the course of the hearing, Mr. Linkins promised to supply the required information with additional data.) (Hearings, pt. 1, p. 109.)

Mr. JACOBS. I think, like Mr. Hagner stated, we are willing to give him the answers to the best of our ability, but we can not, if an unreasonable length of time is required. * * * We will be very glad to cooperate. (Hearings, pt. 1, p. 114.)

MORRIS CAFRITZ. We are working on that information and will get it out very shortly for you. (Hearings, pt. 1, p. 114.)

JAMES McD. SHEA. I can get the information up during this month, I think, Senator. (Hearings, pt. 1, p. 115.)

H. G. SMITHY. We are now, Senator, revising our report to the Department of Justice to conform, as nearly as we can, to the questionnaire of Mr. Brinkman, and this information will be forthcoming very shortly. We can send part of it in now, but we will try to make one report out of it. (Hearings, pt. 1, p. 115.)

Mr. Brinkman had sent to real-estate men of Washington a letter embodying his questionnaire on August 27, 1932. The letter read as follows:

AUGUST 27, 1932.

B. F. SAUL Co., *Washington, D. C.*

GENTLEMEN: On behalf of the subcommittee of the United States Senate, acting under authority of Senate Resolution 248, June 27, 1932, the following information is requested of you:

1. Name and address of each apartment house which you own, manage, or operate, or for which you collect rents.
2. Your relationship to each property, and the terms of your compensation in each case.
3. Names of record and real owners (persons to whom you remit net rentals or account for same). If corporation, give names of officers and addresses, and place where books of property are kept.
4. Number of apartments rented and number vacant in each property as of August 15, 1932.
5. Scale of rents for each property, showing amount for each unit, and total rent for building if all apartments and other rentable space were rented.
6. Scale in 1929 and 1931, if different from present scale.
7. Reductions or increases made in 1932.
8. Reductions or increases to be made by October 1, 1932.
9. Last sale or foreclosure price of property (if known).
10. Encumbrances on property, amount of each deed of trust, name of lender and trustees (with addresses), interest rate, loan agent, commission rate on loan or other charge.
11. Insurance on property; amount, companies, insurance agent, annual premium.

Please send the information in as fast as compiled for each property, and advise when it may be expected.

On August 31, 1932, Mr. Rust, as president of the Washington Real Estate Board, wrote to Mr. Brinkman, stating that the board of directors had considered his request for information and had come to the conclusion "that the questions you propound can not be properly answered by our members." The letter suggested a conference be held to discuss the matter. The letter appears on pages 84–85 of part 1 of the hearings.

The conference between Mr. Brinkman and certain board members was held on September 2. The conference was reported for the record and appears in part 1 of the hearings, pages 83 to 99. Mr. Brinkman agreed to certain modifications of the questions, but disagreed to others, and rejected a proposal by Mr. Bowie that the real-estate men draft a set of questions in lieu of the Brinkman questionnaire and submit the set to him for approval.

Mr. Bowie finally stated, "You are not willing to revise those questions; so we apparently can not agree upon a set of questions that we will attempt to answer," and said further that he would not bind the directors or members of the real-estate board in the matter.

As a result of this conference, and because certain real-estate agents had advised Mr. Brinkman of their reluctance to supply the desired information, the special hearing of September 9 was held.

The special hearing of November 10, 1932, was called by reason of the failure of real-estate men to supply information desired by counsel for the subcommittee, including a refusal on the part of officials of the real estate board to permit him to examine the records of the board although a tender of cooperation had been made in writing by the board, through Mr. Bowie as president, under date of June 1, 1932.

Since the letter was written, the board held an election, and Mr. Bowie was succeeded as president by Mr. H. Clifford Bangs. It was explained on behalf of Mr. Bangs that he was not aware that Mr. Brinkman some time before had been given permission to examine the board records, and had to consult the board of directors. This information was developed at the hearing of November 10 through testimony of James P. Schick, vice president, and Charles J. Rush, secretary of the board.

It developed also at the November hearing that the real estate board had engaged Mr. Lusk to make a statistical survey of the rental situation, and that members of the board were answering a questionnaire sent them by Mr. Lusk.

It was learned also that the Department of Justice had called on real-estate men for information, which had been furnished.

Mr. Brinkman stated that Mr. Bowie's firm had not satisfactorily responded to his questionnaire, failing to answer some questions and evading others.

Questioned by Senator Copeland, Mr. Bowie stated that certain information requested by Mr. Brinkman in the questionnaire was available and could be furnished, but was not given "because we felt that we had already put more than our share of time in compiling these reports."

Examination of the testimony on pages 139 to 141 of the hearings (pt. 1) will bear out the conclusion that the witness was deliberately withholding information from the subcommittee while at the same time furnishing the same information in response to the questionnaire of the real estate board.

The information was so easily obtainable that the witness promised to furnish it to counsel for the subcommittee by noon of the day following the hearing.

Mr. H. E. Doyle, acting head of Thomas J. Fisher & Co., stated that he was not aware that the subcommittee's questionnaire had not been answered by his firm, explaining that the rent department had been asked to attend to the request.

Mr. T. F. Schneider, owner and manager of a number of apartment houses, testified he had been unable to have the questionnaire answered, and stated, "I decline to do the work of getting it up."

Mr. Robert W. Savage, manager of three apartment houses, said he had not answered the questionnaire because Mr. Brinkman had not complied with his request to answer certain questions. These questions were contained in a letter addressed by Mr. Savage to Mr. Brinkman, reading as follows:

DEAR SIR: Your communications of August 27 and October 1 were received and will be acted upon if and when my attorney advises me to do so. For my own information I would be glad to have you advise me of the ample authority which you mention will compel my compliance with your request. I would like particularly to know the penalty for noncompliance, and references, should there have been any test cases on the question.

The subpœnas of Messrs. Schneider and Savage were continued until the matter could be presented to the full membership of the subcommittee. Before the next meeting, however, they furnished the information desired and their subpœnas were discharged.

In view of the fact that Senator Copeland, presiding at the September and November hearings, had assured real-estate representatives that, if they felt the subcommittee's questionnaire did not call for all the information they desired to give, they could furnish additional facts and figures, it is evident, from the records of these hearings, that little effort was made to cooperate with the subcommittee by real-estate men during the inquiry.

Throughout the hearings, Mr. Bowie referred to information furnished by his office to the Department of Justice. The department, having had the charge of a rental combine called to its attention by resolution of the Senate District Committee, prior to the committee inquiry authorized by the Senate, apparently had called on real-estate operators for certain data.

The department's inquiry was, however, limited to the rental combine charge, while the resolution directing the committee's investigation contemplated a survey of much wider scope. As has been previously stated, the counsel for the subcommittee was informed that the department ceased its activities when the subcommitete began its work.

Counsel for the subcommittee stated he did not have access to the department's files. The subcommittee feels that he was clearly within his rights and authority as the agent for the subcommittee in requesting from real estate men the facts covered by his questionnaire, and in demanding that the questionnaires be promptly and completely answered.

Despite the recurring assurances by real estate board representatives of a desire to cooperate with the subcommittee, it would seem from the following statement by Mr. Bowie that cooperation was limited:

* * * I want to state further that I was authorized to make to this committee and to tender to this committee our offices in assisting them in this investigation, that our books and our doors and our records were open to the Department of Justice that had been designated by this committee to make that investigation. I have never stated that they were open to Mr. Brinkman. (Hearings, pt. 1, p. 134.)

In view of the evident failure of many real-estate operators to give any assistance whatever to counsel for the subcommittee, the members believe that Mr. Brinkman has accomplished a difficult and delicate task with great zeal, resourcefulness, and diligence.

The members are grateful also for the valuable legal assistance given by Mr. William A. Roberts, special assistant corporation counsel of the District, in connection with the recommendations contained herein.

CONCLUSIONS AND RECOMMENDATIONS

From the foregoing facts, together with other information brought out by this investigation and by the contact of members with governmental problems of the District of Columbia, the subcommittee offers the following conclusions and recommendations:

1. A state of emergency in housing exists in the District of Columbia. Almost 10 per cent of the families in the District are destitute and entirely dependent on public or private relief. Thousands more are existing on pitifully small incomes, which may be utterly wiped out by illness or unemployment of bread-winners. There is in the District a dire lack of low-cost sanitary housing. This condition is accentuated by the inability of municipal relief authorities to find adequate housing for families made homeless by eviction. Unable to match their reduced incomes against present rent levels, residents of the District are resorting to the practice of "doubling up" in living accommodations, thereby endangering health and morals. Rents in the District of Columbia have not been reduced sufficiently to meet the needs of the people.

2. Rent levels in the District of Columbia do not reflect the decline in the cost of practically all other commodities, nor do they show the same decline as do rents in other cities. Rents of apartments in the District underwent an average reduction of less than 7 per cent during the past year, while the rate of vacancies in apartments increased 10 per cent. Rent reductions in houses were so insignificant that it may be stated that such rents show practically no change from those of a year ago.

3. Although assurances were given the subcommittee by real-estate brokers that the era of high financing in Washington real estate is a thing of the past, the subcommittee is convinced that many of the evils of the present rental situation find their roots in a vicious system of financing and related functions, largely noncompetitive, which has encouraged and fostered speculation, and has placed a crushing burden of interest, "commissions," insurance, and title costs on every real estate transaction. Under this system the small home buyer suffers alike with the owners of equities in rental property. The lack of proper and sufficient legal safeguards has nurtured this system, the fruits of which are summary foreclosures, vast losses to investors in real-estate securities, and in part, at least, high rents.

4. The subcommittee has studied evidence produced by its counsel, tending to prove that real-estate owners and agents have combined for the purpose of eliminating competition in rentals and other real-estate transactions. Representatives of the real-estate board have admitted that they fix minimum rates of commission for real-estate transactions; that they have acted to destroy competition among the board membership in renewals of real-estate loans under $25,000; that they have threatened expulsion of any member advertising that

he will make loans or renew loans for no commission or for a commission less than the standard rate set by the board.

In the face of statements of real-estate dealers under oath that competition in securing tenants was free and unrestrained, and that no interoffice or organizational agreement or understanding existed to the contrary, the subcommittee finds that there are data and evidence indicating that an unwritten agreement or understanding does exist among members of the Washington Real Estate Board, whereby no one agent will rent premises under his control to a tenant who, for whatever reason, is bound to his lease with another agent unless a release is given the tenant by the latter agent. This agreement does not pretend to operate against tenants delinquent in their rent, but simply against tenants holding leases. Uncontroverted testimony of tenant witnesses before the subcommittee was to the effect that agents refused to release them from their rental contracts even when, as a result of unemployment or salary reductions, the tenants were financially unable to pay the amount of rent stipulated in the leases.

5. In the opinion of the subcommittee the public policies of the Washington Real Estate Board have been deficient in many respects, and unresponsive to the legitimate needs of the people. Representatives of the board have offered no constructive suggestions for improvement of the rental situation. Their demand for a fair return on the assessed value of their property displays a woeful disregard of present-day economic conditions in the District of Columbia and in the country as a whole. They have defended as a just and proper action their governing body's request to counsel for the board that he confer with judges of the municipal court who had been granting stays of executions on eviction writs. They have opposed the suggestion that interest rates should be reduced on real-estate loans. They have openly and constantly derided the efforts of counsel for the subcommittee to prove an attempt to restrain competition in rentals and real-estate transactions.

6. Some of the outstanding defects in the housing situation can be reached by legislation which has been passed by the Senate, but has not been enacted into law. The bills are:

S. 13, to regulate foreclosure of mortgages and deeds of trust in the District of Columbia, passed by the Senate on June 8, 1932. The bill requires that a decree must issue from the District Supreme Court in a foreclosure proceeding before any sale of real estate to satisfy a mortgage or deed of trust. Provision is made for the issuance of an interlocutory order by the court after a case for foreclosure has been proved, but the final decree ordering the sale is not to be entered until three months after issuance of the temporary order, unless in the meantime the plaintiff shall have been paid the amount due on the mortgage, with interest and reasonable charges. The bill thus provides a reasonable period of redemption, which does not now obtain in the District. (Senate Rept. 736, 72d Cong.)

S. 2355, to define, regulate, and license real-estate brokers and real-estate salesmen; to create a real estate commission in the District of Columbia; to protect the public against fraud in real-estate transactions, and for other purposes, passed by the Senate on March 14, 1932. The bill provides for the licensing of brokers and salesmen through a real estate commission to be appointed by the District Commissioners, with power to deny and to revoke licenses in cases of improper practices. The bill contains provisions which will outlaw existing frauds in connection with real-estate sales and executions of mortgages and deeds of trust. (Senate Rept. 413, 72d Cong.)

7. The subcommittee recommends that the following bills, pending before the Committee on the District of Columbia, be considered at as early a date as possible.

S. 5374, a bill for the creation of a housing board and authorizing the incorporation of limited dividend housing corporations in the District of Columbia, and for other purposes.

S. 5019, a bill to amend section 1180 of the Code of Law for the District of Columbia with respect to usury.

8. Recognizing the present emergency in housing, and in view of evidence and testimony contained in the record of the investigation, the subcommittee recommends to the Senate the following actions:

a. Consideration at an early date of such legislation as will (*a*) limit evictions of tenants when conditions are such as to merit the intervention of the Government in their behalf; (*b*) provide a moratorium for not exceeding two years upon the foreclosure of mortgages and deeds of trust on homes; (*c*) confer upon the commissioners authority to take such action as may be required for the protection of tenants in cases of extreme emergency.

b. Passage of a resolution calling upon the Attorney General of of the United States to make a complete investigation of charges that competition in real-estate transactions has been stifled in the District of Columbia.

c. Passage of a resolution calling on the District Commissioners for enforcement of existing laws and regulation affecting public health, comfort and safety in connection with rented property; and directing the commissioners further to obtain through the District assessor and submit to the Senate annual reports affecting rentals and values of apartment houses.

d. Enactment of a bill to require the furnishing of heat in rented living quarters in the District of Columbia.

e. Passage of a resolution calling on the District Commissioners for a study of fire and title insurance rates and practices in the District of Columbia, with particular reference to the fixing of such rates and elimination of competition.

The subcommittee is aware that certain of the proposals herein suggested are of an extraordinary nature, and are justified only by the existence of extraordinary conditions in housing in the District of Columbia. The subcommittee has given serious consideration to the suggestion that regulation of rents by a commission should be reinstituted in the District. This question will be given further study, and suitable recommendations for requisite legislation will be made when and if it is deemed necessary to accelerate fair reductions in rentals.

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74th Congress } HOUSE OF REPRESENTATIVES { Report
1st Session } { No. 1125

DISTRICT OF COLUMBIA RENT COMMISSION

June 7, 1935.—Committed to the Committee of the Whole House on the state of the Union and ordered to be printed

Mr. Ellenbogen, from the Committee on the District of Columbia, submitted the following

REPORT

[To accompany H. R. 3809]

The Committee on the District of Columbia, to whom was referred bill H. R. 3809, declaring an emergency in the housing condition in the District of Columbia, creating a rent commission for the District of Columbia, prescribing powers and duties of the Commission, and for other purposes, having considered the same, report it back to the House with the following amendments and recommend that the amendments be agreed to and the bill do pass:

Page 1, line 5, after the word "rental" add the words "and housing".

Page 1, line 6, after the word "the" add the words "general welfare, health, peace, and morals of the".

Page 1, line 6, after the word "and" strike out the word "burden-".

Page 1, line 7, strike out "some".

Page 1, line 7, after the word "and" add the word "public".

Page 1, line 9, after the word "maintenance"strike out the words "and comforts".

Page 2, line 1, strike out the word "embarrassing" and insert in lieu thereof the word "hampering".

Page 2, line 8, after the word "any" insert "hotel, apartment, or rooming house or any".

Page 2, line 10, after the word "hired" insert "for dwelling purpose".

Page 2, line 13, strike out the words "a hotel,".

Page 2, line 18, after the word "association," strike out the words "or corporation." and insert in lieu thereof "corporation, trust, estate, joint-stock, insurance company, legal representative, trustee, receiver or trustee in bankruptcy."

Page 2, lines 19 to 24, strike out all of lines 19 to 24, inclusive.

Page 3, line 3, after the word "property," strike out "hotel, or apartment,".

Page 3, line 7, after the word "property," strike out the comma and the following words "hotel, or apartment." and insert in lieu thereof a period.

Page 3, line 8, after the word "light", add "hot and cold water, gas,".

Page 3, line 9, strike out the word "or".

Page 3, line 10, strike out the word "and".

Page 3, line 14, strike out the word "privilege" and insert in lieu thereof the word "privileges".

Page 3, line 15, after the word "property," strike out the comma and the words "hotel or apartment." and insert in lieu thereof a period.

Page 3, line 23, after the word "business" strike out the words "in the District of Columbia" and insert in lieu thereof a period.

Page 4, line 2, strike out the words "at the time of its".

Page 4, line 3, strike out the word "organization".

Page 4, line 3, strike out the word "The" and insert in lieu thereof the following:

The Commission shall have power and authority to adopt and enforce all such rules and regulations which it finds necessary or suitable to carry out the provisions of this Act.

Page 4, line 4, strike out all of line 4.

Page 4, line 5, strike out "to carry this Act into effect".

Page 4, line 6, strike out the word "members." and insert in lieu thereof the following:

members. Any vacancy in the office of any commissioner shall be filled in the same manner as the original appointment, except that the appointment of the commissioner shall be made only for the unexpired term of the commissioner whom he succeeds.

Page 4, line 12, strike out the word "monthly" and insert in lieu thereof the word "semimonthly".

Page 4, line 12, strike out the word "commissioners" and insert in lieu thereof the word "Commission".

Page 4, line 16, strike out the word "such" and insert in lieu thereof the words "such other".

Page 4, line 17, after the word "officers," add "examiners, engineers, appraisers, attorneys".

Page 5, line 9, after the word "Commission." insert the following:

The assessor, if required by the Commission, or his designated representatives or agents, if required by the Commission, shall attend such meetings and hearings as the Commission shall require by general or special order.

Page 5, line 9, strike out "He shall attend the meetings and hearings of".

Page 5, line 10, strike out the words "the Commission.".

Page 5, line 19, strike out the words "officer, employee, or agent," and insert in lieu thereof "officers, examiners, engineers, appraisers, attorneys or such other employees, or agents,".

Page 6, line 6, after the word "investigate" strike out the word "and" and insert in lieu thereof a period and the following:

Any hearing, inquiry or investigation required or authorized under the provisions of this Act may be conducted or made by any individual commissioner, or any examiner, agent, or representative of the Commission or commissioner, and the order, decision, or determination of such commissioner, examiner, agent, or rep-

resentative shall be deemed the order, decision, or determination of the Commission, unless the Commission on its own motion or on application duly made to it modifies or rescinds such order, decision, or determination.

Page 6, lines 7 to 12, strike out lines 7 to 12, inclusive.

Page 6, line 17, after the word "subpena" insert the following:

or the contumacy of any witness appearing before the Commission, or in case of the failure or refusal to file with the Commission any plans, data, or information required by the Commission under the provisions of this Act,

Page 6, line 21, after the word "question." strike out the period and insert "or to file such plans, data or information.".

Page 7, line 3, strike out the comma after "erty" and the words "hotels, and apartments are" and insert in lieu thereof the word "is".

Page 7, line 4, strike out "thereof" and insert in lieu thereof the word "therefor".

Page 7, line 9, strike out the words "hotel, or apartment".

Page 7, line 15, strike out the words "hotel, or apartment".

Page 7, line 18, strike out the words "hotel, or apartment".

Page 7, line 21, after the word "guest." insert the following:

The Commission may, and if requested shall, file with its determination a finding of the facts on the evidence presented, and upon which its determination is based. Such finding of facts shall set out the following: (1) The fair and reasonable value of the whole property, (2) the allowance for maintenance, repairs, taxes, service, and all other expenses, (3) the separate rentals of the whole property as fixed by the Commission, or if not fixed by the Commission, then as paid by the tenants, (4) the Commission's estimated net return to the owner upon the value as fixed by it and (5) such other findings of fact as the Commission deems proper to submit. Such findings of fact shall constitute a part of the record of the case.

Page 8, line 1, strike out the word "such".

Page 8, line 3, after the word "interest." strike out the period, insert a colon and the following:

Provided, however, That notice given by the Commission to an agent collecting rents for his principal shall be deemed and held to be good and sufficient notice to the principal. The Commission shall promptly hear the issues and shall make known its order, decision, or determination within sixty days from the date of the filing of the complaint.

Page 8, line 4, strike out the words "and determine".

Page 8, line 5, after the word "it" strike out the period, and insert the following:

and shall make known its order, decision or determination within sixty days from the date of the filing of the complaint. All hearings before the Commission or any commissioner, or designated agent or representative shall be open to the public.

Page 8, line 10, after the word "occupancy" strike out the period, insert a comma, and add the following:

and may also order and require the furnishing of such service by the owner as it shall lawfully determine to be fair and reasonable for the particular premises involved: *Provided, however*, That the Commission may, in its discretion, determine and fix the reasonable rent, charges, service or other terms or conditions in any particular unit or units of a rental property without determining or fixing the reasonable rental, charges, services, or other terms or conditions in any other unit or units of such rental property.

Page 8, line 21, after the word "complaint." Strike out the period, insert a comma and add the following:

unless in the opinion of the Commission a manifest injustice will result therefrom, in which case the Commission shall fix in its determination the date from which such determination shall be effective

Page 9, line 2, after the word "charges" insert the following:

for each subsequent rent period following such determination until the amount due under said determination shall have been in such manner paid, or in case of the termination of the relation of landlord and tenant between the parties, either party entitled to recover such amount may at any time after the expiration of the time for an appeal from such determination has expired, bring an action in the municipal court of the District of Columbia: *Provided, however*, That if there be an appeal from the determination of the Commission to the Supreme Court of the District of Columbia in general term, such additions or subtractions shall not be made nor suit instituted until the final decision of such appeal.

The termination of the relation of landlord and tenant between the parties to any cause pending before the Commission shall not deprive either party of the right to a hearing; or subsequent to the Commission's determination therein, to a rehearing; or the right to recover in any action any sum which may be found to be due to either of the parties under such determination.

Page 9, line 2, strike out "or after the final decision".

Page 9, lines 3 to 5, strike out lines 3 to 5, inclusive.

Page 9, line 13, strike out the word "determination" and insert in lieu thereof "determinations and from all other orders whatsoever of a final nature".

Page 9, line 13, strike out the words "which appeal" and insert in lieu thereof the words "such appeals".

Page 9, line 15, after the word "determination" insert the words "or other final order".

Page 9, line 16, before the word "shall" insert "or such part thereof as the court may order".

Page 9, line 18, after the word "determination" insert "or final order".

Page 9, lines 21 to 24, strike out lines 21 to 24, inclusive, and insert in lieu thereof the following:

Appeals shall be determined by the court upon the evidence produced before the Commission and the findings of the Commission: *Provided, however*, That the court may order additional evidence to be taken before the Commission where the court believes that otherwise a grave injustice may be committed.

Page 10, lines 1 and 2, strike out lines 1 and 2, inclusive.

Page 10, line 5, after the word "such" strike out the words "modification and new findings" and insert in lieu thereof "modified or new findings, which shall be conclusive,".

Page 10, line 17, after the words "mination of the Commission" add a new paragraph as follows:

No restraining order should be issued or temporary injunction granted against the Commission, except after a hearing, upon 5 days' notice, before at least three judges of the Supreme Court of the District of Columbia, with the opportunity to summon and examine witnesses in open court in support of the allegations of a complaint or petition made under oath, and testimony in opposition thereto, if offered.

Page 10, line 19, after the word "property," strike out the comma and the words "hotel, or apartment".

Page 11, line 14, after the word "property," strike out the comma and the words "hotel, or apartment".

Page 11, line 15, after the word "thereof" insert the words "if necessary immediately".

Page 11, lines 17 and 18, strike out lines 17 and 18, inclusive, and insert in lieu thereof the following:

making of material repairs or alterations or for the remodeling or erection of a new building whether or not to be used for rental purposes by the owner or for any other purpose inconsistent with the continued use or occupancy of the exist-

ing tenant, if such purpose does not involve unfair discrimination against such tenant and in favor of any subsequent tenant, or if the tenant commits waste, nuisance, breach of peace, or is otherwise disorderly upon the premises; but in no case shall possession be demanded or obtained by such owner in contravention of the terms of any such lease or contract.

Page 11, line 19, strike out "ment if approved by the Commission,".

Page 11, line 23, after the word "amended", insert "which notice shall contain a full and correct statement of the facts and circumstances upon which the same is based,".

Page 12, line 3, after the word "demand" insert a comma and add the words "or as to service of notice".

Page 12, line 4, after the word "Commission" add a new paragraph as follows:

During the period between the service of the notice and the final decision in the proceedings for the recovery of possession the tenant shall pay to the owner rent in accordance with the terms of the lease or other contract for the use or occupancy of the rental property, or, in case such lease or contract is modified by any determination of the Commission, then in accordance with such modified lease or contract. Acceptance of such rent by the owner shall not be held a waiver by him of any right under the provisions of this section or under the terms of the lease or contract. If any tenant fails so to pay rent to the owner during such period, the rights of the tenant under this section shall cease.

Page 12, line 5, after the words "Sec. 10." add the two following new paragraphs:

In case of the increase of the rent for the use or occupancy of any rental property, made by a determination of the Commission from which an appeal is taken by the tenant under the provisions of this title, the tenant shall, from time to time during the period between the filing of the determination and the time when the determination becomes final, and in accordance with the terms of the lease or other contract, pay the Commission the amount of the increase and to the owner the remainder of the amount of rent fixed by the determination. In lieu of such payments the tenant may, in the discretion of the Commission and at the time of taking the appeal, give bond, approved by the Commission for the payment of the amount of the increase. The disposition of moneys so paid to the Commission and the payments under the terms of the bond shall be made in accordance with the determination of the Commission as modified by the final decision on appeal. The court shall dismiss the appeal of any tenant who fails to comply with this subdivision.

In case of a decrease of the rent by any such determination, the tenant shall, from time to time during such period and in accordance with the terms of the lease or other contract, pay to the owner the amount of rent fixed by the determination. The difference, if any, between the amount of rent paid during such period and the amount that would have been payable for such period, under the determination as modified in accordance with the final decision on appeal, may be added to future rent payments or sued for and recovered in an action in the municipal court of the District of Columbia.

Page 12, line 10, after the word "from" add a new paragraph as follows:

This section shall not be held to terminate any right for the recovery of rent in an action in the municipal court of the District of Columbia if such right arose prior to the time that this section takes effect.

Page 12, line 15, after the word "property" omit the comma and the words "hotel, or apartment".

Page 12, line 18, after the word "property" omit the comma and the words "hotel, or apartment".

Page 12, line 25, after the word "property" omit the comma and strike out the words "hotel, or apartment,".

Page 13, line 11, after the word "property" omit the comma and strike out the words "hotel, or apartment,".

Page 13, line 14, after the word "therefor." insert the following:

In any such proceeding involving a lease or other contract, the term specified in which had not expired at the time the proceeding was begun, the Commission shall likewise determine the amount or value of any bonus or other consideration in excess of the rental named in such lease or contract received at the time directly or indirectly by the owner in connection with such lease or contract.

Page 13, line 16, after the word "Columbia" omit the period and add the following: "in the manner provided for under section 14 of this Act."

Page 13, line 22, after the word "pleading." and beginning in line 23 add a new section as follows:

SEC. 14. Whenever under this Act a tenant is entitled to bring suit to recover any sum due him under any determination of the Commission, the Commission shall, upon application by the tenant, and without expense to him, commence and prosecute in the municipal court of the District of Columbia an action on behalf of the tenant for the recovery of the amount due, and in such case the court shall include in any judgment rendered in favor of the tenant the costs of the action, including a reasonable attorney's fee, to be fixed by the court. Such costs and attorney's fee when recovered shall be paid into the Treasury of the United States to the credit of the District of Columbia.

Page 13, line 23, strike out the figures "14" and insert in lieu thereof "15".

Page 14, line 2, after the word "rental," omit the comma and after the word "property" strike out the words "hotel or apartment,".

Page 14, line 5, after the word "property," omit the comma and strike out the words "hotel or apartment,".

Page 14, line 6, strike out the word "ment".

Page 14, line 10, after the word "both" and beginning on line 11, add the following two new sections:

SEC. 16. The Commission shall prescribe standard forms of leases and other contracts for the use or occupancy of any rental property, and shall require their use by the owner thereof. Every such lease or contract entered into after the Commission has prescribed and promulgated a form for the tenancy provided by such lease or contract shall be deemed to accord with such standard forms; and any such lease or contract in any proceeding before the Commission or in any court of the United States or of the District of Columbia shall be interpreted, applied, and enforced in the same manner as if it were in the form and contained the stipulations of such standard form.

SEC. 17. No tenant shall assign his lease of or sublet any rental property a at rate in excess of the rate paid by him under his lease without the consent of the Commission upon application in a particular case, and in such case the Commission shall determine a fair and reasonable rate of rent or charge for such assignment or sublease. This section shall not be construed as in any way authorizing the assignment of any lease or the subletting of any rental property in violation of the terms of the lease or other contract for the use or occupancy of the rental property or of such lease or contract as extends by operation of law.

Section 18, page 14, line 11, strike out the figures "15" and insert in lieu thereof "18".

Page 14, line 12, strike out the words "apartment or hotel" and insert in lieu thereof the words "rental property".

Page 14, line 13, after the word "data" insert the words "under oath".

Page 14, line 14, strike out the word "hotel.".

Page 14, line 15, strike out the words "or apartment," and insert in lieu thereof the words "rental property,".

Page 14, line 15, after the word "therefor." omit the period, insert a comma, and add "and such other data as the Commission may deem relevant."

Page 14, line 16, strike out the word "shall" and insert in lieu thereof the word "may".

Page 14, line 19, strike out the words "hotel or apartment" and insert in lieu thereof the words "rental property".

Page 14, line 21, strike out the words "hotel or apartment." and insert in lieu thereof the following:

rental property. The Commission's determination in such case shall be made after notice and hearing and shall have the same effect as any other determination of the Commission.

Page 14, line 22, strike out the figures "16" and insert in lieu thereof "19."

Page 14, line 22, strike out the figures "$30,000" and insert in lieu thereof "$50,000".

Page 14, line 23, after the word "hereby" insert "authorized to be".

Page 14, line 25, strike out the entire line.

Page 15, line 1, strike out the entire line.

Page 15, line 2, strike out the words "one-half" and insert in lieu thereof "to be paid".

Page 15, line 2, after the word "Columbia." omit the period and add the following:

and annually thereafter the Commissioners of the District of Columbia shall include in the estimate of appropriations for the District of Columbia such amount as may be necessary.

Page 15, lines 3 to 12, strike out lines 3 to 12, inclusive.

Page 15, line 3, add the following new sections:

SEC. 20. The Commission may, upon the request of the President, or from time to time upon its own initiative, make and publish such factual investigations, surveys, and studies on the rental and housing conditions in the District as it may consider necessary and proper to effectuate the purpose of this Act.

The Commission shall within one year following the enactment of this Act report to the Congress the progress of the administration under the provisions of this Act and shall make such report annually and upon the termination of the activities of the Commission. The Commission shall make such recommendations to the Congress as it deems necessary for the protection and preservation of the public good.

The Commission may publish its determinations, opinions, rulings, and regulations, all important court and administrative decisions in respect to this Act, and such provisions of the law relating to landlords and tenants as the Commission deems advisable, together with a cumulative index digest thereof.

SEC. 21. The provisions of this Act shall not apply to a new building in the course of construction at the time of the enactment of this Act or commenced thereafter.

SEC. 22. Any violation of this Act or of any order of the Commission, committed before the termination of this Act may, after such termination, be prosecuted by and in the name of the Attorney General in lieu of the Commission in the same manner and with the same effect as if this Act had not been terminated.

In the case of any proceeding begun under the provisions of this Act before the termination of this Act, or any proceeding on appeal from a determination of the Commission begun before the termination of this Act, such proceeding may, after such termination, be continued in the same manner with the same effect as if this Act had not been terminated, and all powers and duties in respect to such proceedings (including the custody and disposition of moneys paid under section 13) vested in the Commission by this Act shall for the purposes of such proceedings be vested in the Attorney General.

Any right or obligation based upon any provision of this Act or upon any order of the Commission, accrued prior to the termination of this Act may, after the termination of this Act, be enforced in the same manner and with the same effect as if this Act had not been terminated.

The Attorney General shall, after the termination of this Act, appoint the attorney last appointed by the Commission to assist in the enforcement of this Act. Such attorney shall continue to receive compensation for such services at the rate of $3,500 per annum, payable semimonthly.

SEC. 23. If any provision of this Act, or the application thereof to any person or circumstance, is held invalid, the remainder of the Act, and the application of such provision to other persons or circumstances shall not be affected thereby.

SEC. 24. The right to alter, amend, or repeal any provision of this Act is hereby reserved to the Congress.

SEC. 25. This Act may be cited as the District of Columbia Emergency Rent Act.

SEC. 26. This Act shall take effect immediately.

The subcommittee on fiscal affairs held hearings on H. R. 3809 on May 10, and May 16, 1935 giving an opportunity to all those who wished to be heard on the bill. Representatives of the Washington Central Labor Union, Government employee organizations, the Washington Real Estate Board, and District residents, tenants, owners and agents, were heard in addition to Mr. James Ring, who made the study on "Rent and Housing Conditions in the District of Columbia" for the Public Utilities Commission in 1934 (S. Doc. 125, 73d Cong., 2d sess.); Col. Julius I. Peyser, who drafted the "Saulsbury resolution" of May 31, 1918, and the "Ball Rent Act" of 1919; and Mr. Oliver S. Metzerott, former Chairman of the District Rent Commission.

As a result of the recommendations and suggestions made to the subcommittee considerable time and attention was given to a study of the previous rent regulation legislation in the District of Columbia, proposed bills for rent regulation in the District, and the New York Emergency Rent Laws. Most of the amendments recommended to the bill by the committee are a result of this comparative study and the committee urges their adoption. Other amendments were written upon suggestion of the witnesses who appeared before the subcommittee.

THE NEED FOR RENT REGULATION

Evidence presented before the subcommittee shows conclusively the fact that an emergency situation exists in the District of Columbia regarding rental and housing conditions. Testimony presented showed that on March 28, 1935, there were 97,388 Federal employees in the District of Columbia, not counting some 12,000 employees of the District Government and members of the legislative, judicial, or military branches of the Federal Government. At the end of April 1935 there were 100,949 Federal employees in the District, not counting those noted above. This latter figure is within 17,000 of the all-time peak of Federal Government employment in the District of 117,760 on Armistice Day, 1918. It was brought out in the hearings that if the monthly rate of increase in Government employees in the District of Columbia continues at the rate it has increased for the 21 months preceding March 1934, within a year there will be more Federal employees in the District of Columbia than at the war-time peak. Table I shows the increase in the number of Federal employees since June 1933.

TABLE I.—*Summary of employment in civil executive branch of the Federal Government, 1933–35*

At end of—	In District of Columbia	Increase over previous month	Increase over June 1933
1933			
June	65,437		
July	65,991		554
August	67,715	1,724	2,278
September	69,740	2,025	4,303
October	71,054	1,314	5,617
November	73,131	2,077	7,694
December	75,450	2,319	10,013
1934			
January	78,045	2,595	12,608
February	79,913	1,868	14,476
March	81,569	1,656	16,132
April	83,850	2,281	18,413
May	85,939	2,089	20,502
June	87,196	1,257	21,759
July	87,978	782	22,541
August	91,065	3,087	25,628
September	92,557	1,492	27,120
October	93,322	765	27,885
November	93,827	505	28,390
December	94,050	223	28,613
1935			
January	94,389	339	28,952
February	95,517	1,128	30,080
March	97,388	1,871	31,951
April	100,949	3,561	35,512

It was also brought out at the hearings that the number of Federal employees in the District of Columbia has increased over 50 percent since June 1933; and there is every evidence that the number will continue to increase, as it has for nearly 2 years, due to the additional employees necessary to assist in administering the various projects under the works relief bill and other new legislation.

It must also be kept in mind that thousands upon thousands of persons came to the District of Columbia in search of employment which they have been unable to find. These people, of course, must be housed. They are not included in the statistics of Government employees of the United States Civil Service Commission, but their number must be taken into consideration in order to arrive at the present number of residents in the city of Washington, D. C.

Representatives from the Washington Central Labor Union committee on rents and low-cost housing appeared in support of the bill and testified to the fact that an emergency existed in rental and housing conditions in the District and submitted statements from numerous individuals testifying to the difficulty in finding reasonable and suitable living quarters in the District and to the situation existing where many individuals cannot afford to bring their families with them when they are employed in the District and where many individuals must live an unreasonable distance from the District in order to find suitable quarters.

Such conditions as these give rise to numerous abuses which were brought before the subcommittee such as unreasonable increases in rental charges which either result in forced removals, the payment by the tenant of a disproportionate share of his income as rent, or the removal to cheaper and less desirable quarters.

Mr. James Ring, who worked with the Senate District of Columbia Committee which appointed a Subcommittee on Rental Investigation in 1932, and who made the survey on "Rent and Housing Conditions in the District of Columbia" for the Public Utilities Commission in 1934, and who is now employed by the Alley Dwelling Authority testified that in his opinion an emergency now exists in the rental situation in Washington. Other witnesses also supported this view.

It was brought out in the testimony that despite the number of families provided for in dwellings built since 1921 the normal growth of the population, the demolition of rental properties, and the influx of employees in the emergency work of the Federal Government, all combined to make available housing space extremely scarce. The fact that of 8,452 machinists employed in the navy yard, 1,944 are forced to live outside of the District of Columbia gives evidence of this situation.

There are now more Federal employees in the District of Columbia than there were at any time during the previous period of emergency rent regulation. The emergency situation in rental and housing conditions has existed in the District of Columbia for some time now and has been very seriously intensified by the addition of new employees to the Government service. The existence of this emergency is shown by the conclusion of the Public Utilities Commission in its report (S. Doc. 125, pt. 2, May 28, 1934, p. 73, 73d Cong., 2d sess.), where it is said:

> Great need exists for the regulation of the housing business in Washington. * * * The problems of the landlord and the tenant cannot be met satisfactorily except by establishment of a proper public office made self-sustaining by license or registration fees, which would have as its business the inspection and arbitration of landlord and tenant complaints, the licensing or registration of all landlords and tenants, the keeping of complete housing records, and the establishment of minimum standards for housing in the District of Columbia.

This conclusion by the Public Utilities Commission has stimulated interest and support in the District for remedial rent and housing legislation. The bill herewith recommended by your committee for passage is the initial step in solving the emergency situation which now confronts the residents and tenants in the District, the Federal and non-Federal employees, as well as the Government itself. If, as the Public Utilities Commission has said:

> Shelter, if not the prime necessity of life, is at least one of the most essential requisites. Regulation of this sort is essential to the welfare of the community (pt. 1, Jan. 23, 1934, p. 24)—

Then the Congress must take action to protect the welfare of the public employees, the residents of the District, and the continued functioning of the Government.

If rental and housing conditions are left to the operation of the law of supply and demand, rental charges will continue to increase, as they have been shown to be increasing, and result in forcing Federal employees to live in crowded, cramped and undesirable quarters which will impair their efficiency and ability to work. It will necessitate forced removals or the serious impairment of the employee's health and well-being.

AIM OF THE LEGISLATION

H. R. 3809 aims to alleviate the emergency situation existing in the District by creating a Commission to fix fair and reasonable rents. It aims to do what the report of the Public Utilities Commission recommended, namely, the

> establishment of a proper public office * * * which would have as its business the inspection and arbitration of landlord and tenant complaints * * *.

This is the key to the emergency situation. Evidence presented to the subcommittee showed the high level of rents which exist in the District, and the increases in rents which have been taking place in recent months. Unless rents are reasonable and just, individuals will be unable to continue to live in their present quarters.

The report of the Public Utilities Commission included a significant statement which was brought out at the hearing. In part 2, page 76, the Commission said:

> Restoration of rents to predepression levels would force Government workers, in the absence of a regulatory law, to adopt one of two unpleasant alternatives to the payment of such rents: To "double up", as they recently did, or to engage in the bitterness and injustices of a general rent strike. No one would gain if either course was followed. The Commission believes that the public would express its resentment at any general rent increases at this time.

The aim of the bill, therefore, is not only to prevent unreasonable and unjust rental increases which result in voluntary or involuntary removals, but to guarantee to the tenant, if he pays a reasonable rent and meets his just obligations, the occupancy of his living quarters. The bill makes every effort to protect the tenant in this emergency situation but does so not in any manner unfair or unreasonable to the owner of any rental property. By creating an administrative agency to hear and determine complaints there will be guaranteed equity to both tenant and owner. By making it necessary for the Commission to consider what the return on the owner's investment will be on the basis of the Commission's determination, every protection is given the owner of a just and reasonable return on his property.

The fact that there are and have been abuses in the housing situation was brought out by the statements of Mr. Leroy Halbert, director of research, of the Emergency Relief Division of the Board of Public Welfare in his testimony before the Senate District Subcommittee on Rental Investigation in 1932 (hearings on S. Res. 248, 72d Cong., 2d sess., 1933, p. 208). Mr. Halbert said in speaking of the relief situation then:

> I would like to call attention to one thing I consider an abuse. There are landlords who issue an eviction notice every month to keep people scared. Some of them have been paying their rent along for a year who have had an eviction notice every month, and the cost of that is charged up to them on top of their rents because the landlords think that is a good way to keep them keyed up to pay their rents.

This legislation aims to prevent and correct the existence or possibilities of such abuses as these. It aims to give employees, both Federal and non-Federal, the safeguard that during this period of great emergency they will have shelter at reasonable and just rates.

In the letter of transmittal to Miss M. Alice Hill, director of the Emergency Relief Division of the District of Columbia Department of Public Welfare, Mr. Halbert makes the following statements regarding

the study by Mr. Norman T. McManaway on Housing Conditions of Families on Relief, a C. W. A. study made in 1934:

> Next to the matter of overcrowding and lack of proper sanitary facilities, the subject which stands out is the fact that an unjustifiable amount of rent is paid for hundreds of really uninhabitable dwellings. * * *
>
> Mr. McManaway concludes from his study that the inability of people to pay rent for adequate quarters has increased the demand for cheap quarters and the use of dilapidated and unsanitary houses has actually gone up during the last 2 years as a result of this demand and many houses are being rented which have actually been condemned by the health authorities.

These statements show to what degree housing is affected with a public interest in the District of Columbia. Any further unjust or unreasonable increase in rentals will continue the demand for dilapidated and unsanitary houses as well as result in overcrowding and unhealthy conditions dangerous to the public welfare and the functioning of the Government.

Data submitted by those in opposition to the bill was shown by the subcommittee and various witnesses to be inaccurate and unreliable. In reply to the argument that previous rent regulation legislation had hindered construction, Mr. Oliver Metzerott, chairman of the former commission, was of the opinion that it had not. In order to forestall any controversy on this point the committee has drafted an amendment which will exempt new construction from the jurisdiction of the commission. Consequently, there can no longer be any debate on this aspect of the problem.

As Mr. Metzerott stated in his testimony before the subcommittee:

> I believe that the owner of real estate who is holding that property in a jurisdiction where a properly conceived rental board is in existence is not injured but in the long run will be benefited by it.

The committee believes that both the owner of property, the tenant, and the Government will benefit from the provisions of this bill.

CONSTITUTIONAL BASIS OF THIS LEGISLATION

In conclusion, the committee desires to state that the subject matter of this bill has been considered by the United States Supreme Court in a number of cases and has been held to be constitutional. In *Block* v. *Hirsh* (256 U. S. 135 (1921)) and *Marcus Brown Holding Co.* v. *Feldman* (265 U. S. 170 (1921)), legislation for the District of Columbia and New York City, respectively, establishing a rent commission to fix fair and reasonable rents was held a regulation justified under the police powers during the period of the emergency and not an unconstitutional impairment of the right to contract or a taking of property for a use not public in contravention of the fourteenth amendment. The Supreme Court held further that the legislation was not invalidated because it deprived the owner of a jury trial on the question of the right to possession and declared that compelling the owner to furnish services to the tenant did not constitute an imposition of involuntary servitude in violation of the thirteenth amendment. Authority to legislate for the District of Columbia is to be found in the Constitution. The bill, modeled after the District of Columbia Rent Law enacted on October 22, 1919, and amendatory legislation enacted on August 24, 1921, and May 24, 1922, and the New York Rent Law of September 27, 1920, is valid, according to the case of the *Chastleton Corporation* v. *Sinclair* (264 U. S. 543 (1924)) so long as the emergency continues.

The influx of Government employees into Washington, which created the emergency considered the basis for the constitutionality of the earlier legislation, applies with equal force to present conditions occasioned, as the statement of public policy in the bill declares, by the war against the depression.

During the life of the legislation which was adopted in the District of Columbia and New York after the war the courts in a number of decisions passed upon different phases of the acts and held valid provisions which authorized the commission upon its own initiative and without complaint to fix the reasonable rent, fixed the fair return for rental property, compensated the tenant for inconvenience in connection with his occupancy, permitted possession after the expiration of the lease if the tenant continued to pay rent as provided in the lease, and limited review by an appellate court to errors of law.

Unless the Supreme Court departs radically from the principles pronounced in the cases which have been referred to, the legislation considered by the committee may not be challenged on the ground of constitutionality.

ANALYSIS OF THE BILL

Section 1. Declaration of public policy of the District: This section gives the justification for this act in terms of public policy.

Section 2. Definitions: This section defines "rental property," "person," "owner," "tenant," "service," and "Commission." These terms are frequently used in this act.

Section 3. Rent Commission created: This section establishes the "Rent Commission of the District of Columbia" composed of three Commissioners appointed by the President by and with the consent of the Senate and provides for the term of the Commissioners, the election of a chairman, the powers and duties of the Commission, the succession of Commissioners, and the adoption of an official seal.

Section 4. Personnel and expenditures: This section provides the salary to be paid to each Commissioner, and the salary of a secretary appointed by the Commission and also of an attorney who shall represent the Commission in all judicial proceedings. Other employees shall be appointed subject to the provisions of the civil-service laws. Expenditures for rent and miscellaneous items are authorized and shall be audited as other expenditures for the District.

Section 5. Duties of the assessor of the District of Columbia: This section provides that the assessor for the District of Columbia shall serve ex-officio as an advisory assistant to the Commission and shall personally or by designated representatives attend such hearings as the Commission shall require for which the assessor, in addition to his prescribed salary, shall receive \$500 per annum. All employees of the United States or of the District of Columbia are required to furnish information requested by the Commission pertaining to the administration of the act.

Section 6. Procedure and policies for the Commission: This section provides that the Commission, in connection with such matters as it is authorized to investigate, shall have power to compel the production and shall examine books, records, and correspondence, sub-

pena and examine witnesses, enter orders made by any Commissioner or by any examiner, agent, or representative of the Commission, and invoke the aid of the Supreme Court to punish disobedience of a subpena, contumacy of any witness, or refusal to file data required by the Commission.

"Rental property" is declared affected with a public interest and unfair and unreasonable rents are declared contrary to public policy.

The Commission shall hold open hearings, upon notice to the owner or agent collecting rents, to determine whether the rent or other conditions of a lease are fair and reasonable. The Commission shall make known its determination fixing the fair and reasonable rent and services to be furnished in any "rental property" or unit thereof, within 60 days from the date of the filing of the complaint and may, and if requested shall, file with its determination the fair and reasonable value of the whole property, the net return to the owner and such findings of fact as the Commission deems proper and as the act requires on the evidence presented. Any court of the United States or District of Columbia in any suit involving landlord and tenant relations shall determine the rights and duties of the parties in accordance with the determinations of the Commission relevant thereto.

Section 7. Effective date of Commission's determination: This section provides that determination of the Commission shall be effective from the date of the filing of the complaint or from such date as the Commission shall determine will not work an injustice and the difference between the rent charged and the rent fixed by the Commission shall be added to or subtracted from subsequent rent periods as the case demands. Upon the termination of the relation of landlord and tenant either party may sue in the municipal court to recover any sum to which he may be entitled.

Section 8. Commission's determination conclusive on facts: This section provides that the Commission's determination shall be final and conclusive except for error of law and the Supreme Court of the District of Columbia is given jurisdiction to entertain appeals. Procedural requirements which must be observed before the Commission may be enjoined are prescribed in this section.

Section 9. Tenant's right to occupancy and landlord's right to possession: This section provides that despite the expiration of the term fixed by the lease the tenant may continue in possession and may not be evicted if he performs the conditions of the lease and any purchaser of the property takes subject to the right of the tenant except that the landlord may, upon notice given as required, secure possession of the property either for personal occupancy, or to make material repairs, or erect a new building or if the tenant commits waste, nuisance, or breach of peace upon the premises. The tenant shall pay rent to the owner in accordance with the terms of the lease during the period between the service of the notice and the final decision in the proceeding for the recovery of possession. The rights of the tenant under this section shall cease if the tenant fails to pay rent.

Section 10. Commission's determination modifiying rents not stayed on appeal: This section provides that the Commission's determination shall not be stayed during the pendency of the appeal. If the Commission increases the rent it shall be paid to the landlord, or to the

Commission, or a bond given to guarantee payment, if sustained on appeal. If the rent is decreased by the Commission and is set aside on appeal the unpaid difference shall be added to future rent payments or sued for in the Municipal Court of the District of Columbia.

Section 11. Commission's determination not affected by change in ownership: This section provides that a change in the ownership of "rental property" shall not affect the determination of the Commission.

Section 12. Owner liable for refusal to furnish services: This section provides that for the willful withdrawal of any service agreed or required by the Commission to be furnished, the Commission shall determine the value thereof and the tenant may recover the amount in the manner provided for under section 14 of this act.

Section 13. Procedure before Commission: This section provides that the Commission shall by general order prescribe the procedure to be followed in proceedings before it which shall be as simple and summary as possible and unrestricted by the technical rules of evidence and pleading.

Section 14. Commission to prosecute suits for tenant: This section provides that whenever a tenant is entitled to bring suit to recover any sum due him the Commission, when requested by the tenant shall prosecute the suit and any judgment rendered shall include reasonable attorneys' fees and costs. The attorneys' fees and costs shall be paid into the Treasury, to the credit of the District.

Section 15. Owner penalized for illegal bonus or fictitious sale: This section provides that for the payment of a bonus or fictitious sale of the property to avoid the provisions of this act, punishment may be imposed by a fine not exceeding $1,000, or by imprisonment for not exceeding 1 year, or by both.

Section 16. Commission to prescribe lease forms: This section provides that the Commission shall prescribe standard forms of leases for use by owners of "rental property" and all leases executed thereafter shall accord with such standard forms.

Section 17. Fair and reasonable rent under assignment or sublease: This section provides that tenants may not assign or sublease "rental property" at a rate in excess of the rent paid under the lease without the consent of the Commission.

Section 18. Data to be filed with Commission: This section provides that the Commission is authorized to require the production and filing of such data by the owner of "rental property" as it may deem relevant for the determination of the fair and reasonable rent.

Section 19. Appropriations: The section provides that the sum of $50,000, or as much thereof as may be necessary, is appropriated for the purposes of this act to be paid out of the revenues of the District of Columbia.

Section 20. Reports by Commission: This section provides that the commission shall make such investigations, surveys, and studies as may be necessary and shall report to Congress annually on the progress of the administration under the provisions of this act.

Section 21. New construction exempted: The section provides that the provisions of this act shall not apply to new buildings in the course of construction at the time of the enactment of this act or commenced thereafter.

Section 22. Enforcement subsequent to termination of act: This section provides that after the termination of this act violations committed prior thereto shall be prosecuted in the name of the Attorney General and provides further for the continuance of appeals which have been undertaken. The Attorney last appointed by the Commission shall assist the Attorney General in the enforcement of this act.

Section 23. Separability of provisions: The section provides the usual separability clause.

Section 24. Reservation of powers: This section provides that Congress may alter, amend or repeal any portion of this act.

Section 25. Short title: This section provides that the act may be cited as the "District of Columbia Emergency Rent Act."

Section 26. Effective date: This section provides that the act is to become effective upon passage and approval.

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